

JPRS 83337

26 April 1983

China Report

ECONOMIC AFFAIRS

No. 331

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

26 April 1983

CHINA REPORT

ECONOMIC AFFAIRS

No. 331

CONTENTS

PEOPLE'S REPUBLIC OF CHINA

NATIONAL ECONOMIC POLICY AND ISSUES

PRC Journal: Ma Hong on Coastal Cities' Economic Role (Ma Hong; JINGJI GUANLI, 5 Jan 83)	1
'JINGJI GUANLI' on Taxes in Lieu of Profits (Tian Jiyun; JINGJI GUANLI, 5 Jan 83)	9
'JINGJI GUANLI' on Construction Materials Industry (Chang Jing, Ru Nan; JINGJI GUANLI, 5 Jan 83)	14
'JINGJI GUANLI' on Light Industrial Enterprises (Wan Erqing; JINGJI GUANLI, 5 Feb 83)	20
'JINGJI GUANLI' on Posts, Telecommunications Work (JINGJI GUANLI, 5 Feb 83)	25

ECONOMIC PLANNING

'JINGJI GUANLI' on Xiamen Special Economic Zone (Xiang Nan; JINGJI GUANLI, 5 Feb 83)	33
'JINGJI GUANLI' on Anshan City as Economic Center (Sun Hingzhi; JINGJI GUANLI, 5 Feb 83)	40

INDUSTRY

Underground Street Under Construction in Wuhan (Ji Dong; WEN HUI BAO, 26 Jan 83)	47
---	----

DOMESTIC TRADE

National Pricing Policies Explained (ZHONGGUO SHEHUIZHUYI WUJIA XUE, 1982)	50
---	----

LABOR AND WAGES

'JINGJI GUANLI' on Labor Organization Problems (He Guangyuan; JINGJI GUANLI, 5 Feb 83)	63
---	----

NATIONAL ECONOMIC POLICY AND ISSUES

PRC JOURNAL: MA HONG ON COASTAL CITIES' ECONOMIC ROLE

HK111149 Beijing JINGJI GUANLI in Chinese No 1, 5 Jan 83 pp 5-8

[Article by Ma Hong [7456 3163]: "Fully Enhance the Role of Coastal Cities in the Four Modernizations"]

[Text] On the Coastal Cities' Status and Role

There are common points and differences in the status and role of central inland cities and coastal cities. The main difference is that the latter are situated along the coast and are hubs of exchange between our country and foreign countries. Since former times coastal cities have enjoyed a certain degree of economic superiority. Their geographical positions are superior and their communications with other places are convenient. Because they are ports, their economic contact with foreign countries is convenient, their commerce flourishes and their financial businesses are well developed. In particular, they have a relatively good foundation in industry and have attained a high level of cultural, scientific and technological development. In these cities are found most of our scientific and technological personnel. They also manufacture most of our famous-brand products. It can be said that the most advanced industries and science and technology in our country are concentrated in the coastal cities. Thanks to these favorable conditions, coastal cities have naturally become centers of economic activities for their neighboring regions. In these cities, industry, commerce, the transportation industry, foreign trade businesses, financial businesses, culture, science and technology, and so on, are well developed. Thus, they play an enormous role in promoting our country's economic development. Therefore, on the high plane of strategy, we must fully understand the important status and role of coastal cities in our achievement of the four socialist modernizations. Any viewpoint that embodies a neglect of their status and role is erroneous.

However, at present, people have different views on the coastal cities' status and role. There are two main different viewpoints.

Comrades who hold the first viewpoint think that because of the special geographical positions of our country's coastal cities and their economic superiority acquired since former times, they should play a dual role in socialist construction: for one thing, they have the internal role of promoting our domestic economic development by virtue of their superior economic and

technological conditions; and for another thing, by virtue of their favorable conditions of having good economic contact with foreign countries, they have the external role of forcing a way into the international market, absorbing foreign funds, and importing, assimilating and popularizing technology and advanced equipment, so as to quicken the four modernizations on a national scale.

Comrades who hold the second viewpoint stress the coastal cities' role as centers of foreign trade on the grounds that they are gateways to import and export trade, hubs of transportation and centers for distributing commodities. These comrades therefore maintain that it is an urgent task for our country to develop the coastal cities' role as centers of foreign trade in the first place, so that their role can be fully brought into play. Some of these comrades also maintain that "with foreign trade as the main orientation of their efforts," the coastal cities must "help readjust the composition of industrial production and of export commodities."

These two viewpoints differ as to the coastal cities' status and role, for example, concerning whether their role in the domestic economy or their relationship with foreign countries should be stressed. Some comrades stress their role as centers of foreign trade, while others stress their role as economic centers in the domestic economy. We must conscientiously study these different views to find out their essential differences and the reasons for these differences, and to achieve a relatively unified understanding. The key approach to understanding the coastal cities' status and role is to analyze their status and role in our national economy, particularly in the achievement of our four modernizations. The coastal cities' status and role constitute an objective reality. Our understanding should thoroughly and profoundly reflect this objective reality.

According to statistics concerning 222 cities in our country, in 1981, the population of these cities amounted to 10.3 percent of our country's total population, the value of their industrial output and their profits were over 75 percent of the national figure, and the original value of their fixed industrial assets and the number of workers in them were around 2/3 of the national figure. Considering 15 coastal cities among them, the land area of these coastal cities was less than 1 percent of our country's area, their population constituted only 4.7 percent of our country's population, but the value of their industrial output was 29.5 percent of the national figure, the profits and tax payments yielded to the state by enterprises in these cities under ownership by the whole people amounted to 30.2 percent of the national total, and the fiscal revenue collected from these cities was 24.8 percent of our country's total revenue. These are objective facts. We should proceed from such facts to consider and resolve questions.

We all know that large coastal cities such as Shanghai, Tianjin, Guangzhou and Dalian have a multiple role: they are centers of industry, commerce, communications and transportation, foreign trade, financial businesses, information, science and technology, culture and education, and so on. Moreover, in all these aspects, they are in an extremely important position. Sometimes

we have to stress certain aspects of their role, but at no time must we ignore the other important aspects of their role, and we must guard against and overcome one-sidedness in our understanding.

Some comrades strongly stress the important role of coastal cities as centers of foreign trade and their role in external economic relationships. This is based on certain reasons. First, to extend economic and technological exchanges between our country and foreign countries is an important task set forth at the 12th CPC Congress. The coastal cities should play a very important or even decisive role in fulfilling this task. Second, recently, leading comrades of the CPC Central Committee have repeatedly said that the coastal cities such as Shanghai must "achieve economic integration with inland regions and force their way into the international market." Third, for many years in the past, this role of the coastal cities was neglected, and even now, some comrades still do not fully understand the coastal cities' role in extending technological and economic exchanges between our country and foreign countries. Therefore, under certain conditions and in a certain sense, it is justifiable to stress the coastal cities' role in foreign trade, and particularly in external economic relationships.

In stressing the coastal cities' role in foreign trade, we should proceed from objective reality. For example, looking at large coastal cities such as Shanghai, Tianjin, Guangzhou and Dalian, their exported commodities currently account for a little more than 10 percent of the total value of their industrial output. Therefore, on the one hand, we must try our best to force a way into the international market, open up markets for our goods and extend foreign trade; but on the other hand, we must still pay great attention to other aspects of the coastal cities' role and to the domestic market. If we overstress their role in foreign trade at the expense of other aspects of their role, in particular their important role as industrial, scientific and technological bases, then we will be unable to fully develop other important aspects of the coastal cities' role, and consequently we will even be unable to satisfactorily develop their role in foreign trade. In particular, we must not neglect their role in giving impetus to the economic development of neighboring and inland regions. The ultimate aim of using coastal cities to extend economic exchanges between our country and other countries is not merely to enhance the economic development of the coastal cities themselves, but what is more important, it is to promote and quicken the economic development of the neighboring regions and also the four modernizations in our country. Moreover, if we do not fully develop the coastal cities' role in promoting the economic development of neighboring and inland regions, then it will be difficult to satisfactorily develop their role as centers of foreign trade.

Furthermore, some comrades maintain that we should adopt a strategy of developing an "exported-oriented" or "externally oriented" type of economy in coastal cities. Is it necessary or possible to implement this strategy in coastal cities in general? What would be the possible consequences? We should consider these questions.

On the Question of the Guiding Principle of "Achieving Economic Integration With Inland Regions and Forcing a Way Into the International Market"

"Achieving economic integration with inland regions and forcing a way into the international market" is an extremely important guiding principle concerning the strategy of developing the coastal cities' trade with foreign countries. In this guiding principle, forcing a way into the international market is a new task set forth in the light of current circumstances. This task is both important and arduous. Moreover, we lack experience in this task. The coastal cities are charged with a mission of special importance and they should try all means to fulfill this important task. Now the guiding principle of "achieving economic integration with inland regions and forcing a way into the international market" has been relatively widely discussed. Through discussion, people's understanding has been greatly enhanced and deepened. However, there are also some different views.

According to a certain view, the coastal cities' primary task is to cater to and force a way into the international market, and the aim of achieving economic integration with inland regions is to serve the needs of forcing a way into the international market. This view involves the question of a correct understanding of the relationship between achieving economic integration with inland regions and forcing a way into the international market. This question is of great theoretical and practical significance and must be clarified. I wish to talk about my understanding of the guiding principle of "achieving economic integration with inland regions and forcing a way into the international market."

At a certain meeting, the leading comrade of the State Council said that economically, there should be division of labor between our country's coastal regions and inland regions. They should develop their own strong points to help quicken the development of our entire economy. The coastal regions must cater to the international market, develop foreign trade, foster international cooperation and technological exchange, and thus help quicken our economic development as well as raise our standard of science, technology, management and operation. The coastal regions should effectively achieve economic integration with inland regions, serve the needs of economic development of the inland regions, and promote the improvement of the inland regions.

My understanding of the meaning of these words is as follows. First, to cater to the international market, to develop foreign trade and to foster international cooperation and technological exchange constitute an important task for the coastal regions. The aim of doing these things is to quicken our national economic development and the speed of our four modernizations. Second, concurrently with fostering economic and technological cooperation and exchanges between our country and foreign countries, the coastal cities must attach importance to serving the economic needs of the inland regions. Third, the coastal regions must effectively achieve economic integration with the inland regions. The former must promote the improvement of the latter so that both may develop simultaneously.

The leading comrade of the State Council also said that in conducting economic and technological exchanges between our country and other countries, we must pay attention to developing the coastal cities' superiority. Economically, there are contradictions between the eastern part and western part of China. From the long-term point of view, the path of complete reliance on the inland regions for providing the coastal cities with raw materials which are processed into commodities and then sold back to the inland regions will become increasingly narrower. We must enhance the coastal regions' contact with the international market. Our coastal cities such as Shanghai "must achieve economic integration with inland regions and force a way into the international market." They must gradually turn to the international market to obtain the materials and raw materials that they need and must sell their commodities abroad, so as to put an end to the difficulty in selling their products and the shortage in the supply of materials and raw materials. We must not bind our own hands and feet. Singapore and Hong Kong can rely on the processing industries and Japan can rely completely on foreign resources. Why cannot our coastal cities do so? The key question is that we must assign a certain amount of decisionmaking power to the coastal cities so that they can utilize foreign resources and compete with other suppliers on the international market. Special policies and flexible measures have been implemented in Guangdong and Fujian. Aside from this, we must in the first place assign greater decision-making power to Shanghai and Tianjin. Methods of importing technology, utilizing foreign funds, transforming old enterprises, launching competition on the international market and so on must be adopted in Shanghai. Various departments must help Shanghai work out methods of implementation. Of lesser importance are such coastal cities as Dalian, Qingdao, Ningbo and so on. We must not suddenly launch our move on a very extensive scale. Things must be done under leadership and step by step. The guiding principle of "achieving economic integration with inland regions and forcing a way into the international market" is of enormous importance. We should profoundly understand its great significance and conscientiously implement it. Moreover, we must pay attention to the following few points. First, this guiding principle is put forth to reflect a long-term orientation. Therefore we say that "from the long-term point of view," we must "gradually turn to the international market." From now on, we must more vigorously force a way into the international market. However, we must note that this change in orientation is a gradual process. Second, we must in the first place assign greater decision-making power to Shanghai and Tianjin, and we require Shanghai to create experience and work out methods. Third, we must therefore avoid a sudden launching of our move on a very extensive scale. Things must be done under leadership and step by step.

Discussing the planning work concerning the Shanghai economic region, the leading comrade of the State Council also said that we must fully exploit an advantageous condition of the Shanghai region, namely, its participation in the international market. The appropriate orientation of Shanghai's economic development is that Shanghai must import raw materials from foreign countries and sell its manufactured products abroad, while our country mainly supplies its energy resources. Of course, this change must be a gradual one. At present, we must still ensure the allocation of the necessary raw materials to Shanghai. Considering the overall situation, we should enliven the coastal

regions and should in the first place enable the Shanghai region to play its role and to vigorously force its way into the international market; and at the same time, we should enable the technology of the coastal regions to gradually spread to the western part of our country, which can then process local raw materials locally and sell them in the local market, so that both the eastern and western parts of our country can achieve economic prosperity.

The implications of these ideas are as follows. First, both the coastal and inland regions, and both the eastern and western parts of our country, must become better off. Therefore, the aim of the coastal cities' achievement of economic integration with the inland regions is to promote the development of our entire national economy, and not merely to help force a way into the international market or to further the development of the coastal cities themselves. Nevertheless, the result will certainly be conducive to forcing a way into the international market and beneficial to the coastal cities themselves. Second, to vigorously force a way into the international market is an important task for the Shanghai region, but not the only task. Third, the matter concerned here is the orientation of Shanghai's economic development, and moreover, it is pointed out that "this change must be a gradual one."

Overall, we must take a very positive attitude toward forcing a way into the international market. In particular, coastal cities such as Shanghai and Tianjin must pay great attention to this work and strive to achieve a relatively great result within a short time. Any way which neglects this work is incorrect. However, we must also pay attention to correctly handle the relationship between achieving economic integration with inland regions and forcing a way into the international market. We must not attach importance to forcing a way into the international market at the expense of achieving economic integration with inland regions, or attach importance to foreign markets at the expense of our domestic market. As economic centers of our country, the coastal cities have an unshirkable obligation to promote the economic development of the regions they are in.

On the System of Managing Coastal Cities

To fully develop the coastal cities' economic role, we must further reform the system of managing the coastal cities. According to some comrades, when the large coastal cities' role as economic centers cannot be fully brought into play, the most basic problem is that of the system. The present system is characterized by the existence of insurpassable barriers between various departments and between various localities. If a city cannot solve its own problems, development of its role as an economic center will naturally be out of the question. To develop the role of large coastal cities as economic centers, we must correspondingly assign the necessary power to them. Decision-making power alone is not sufficient, because this power only enables them to solve their own problems. To play their role as economic centers, they need some special powers, for example, launching foreign trade, port management, the running of sea transport, and in particular, special treatment in planning (which means that certain large cities under provincial authorities must be given separate consideration in state planning), and so on. The views outlined above have to be studied and the relevant questions have to be resolved.

A reform of the system of economic management of the coastal cities would involve many questions, for example, the relationship between departments and authorities, the relationship between vertical links and horizontal links, the cities' decisionmaking power, the question of by what authorities the enterprises should be managed, the enterprises' decisionmaking power, and so on. Recently, the leading comrades of the State Council expressed the following important ideas in discussing the question of the system of managing the cities. (1) We must build the Shanghai economic region. From the economic point of view, Shanghai Municipality serves the whole country. It has a particularly close relationship with the cities in the Changjiang Delta, such as Suzhou, Wuxi, Changzhou, Hangzhou, Jiaxing, Nantong and Ningbo. The economy of these medium-sized and small towns is extricably interwoven with that of Shanghai. We must study how to break through the insurpassable barriers between departments and between localities, how to really work according to economic laws, and how to do a better job in organizing the economy of this region. Thus, the question of building the Shanghai economic region has been raised. (2) We must proceed from planning. We must resolve the contradictions between the departments and localities through planning, and not through any change in organization, that is, simply putting this region under administration by Shanghai. Through planning, we must promote the integration of various localities and of various enterprises, so as to liberate the productive forces. With centralized planning, we can still continue to include certain things in plans for localities or plans for departments according to necessity, and we can make no change in the relationships of subordination and ownership governing the enterprises. Thus, centralized state planning can be broken down into planning for various localities and departments, so that plans for various localities and departments, in connection with the economic region, can be closely integrated with overall state planning. (3) Various departments and localities must be coordinated by means of central cities and industrial bases. It appears that our economic management system in the future will no longer follow the path of demarcating large economic regions or economically coordinated regions, and will no longer stick to the old way of relying on departmental and local authorities, but will embark on the path of relying on central cities and industrial bases, which will help coordinate the departments and localities, leading to the formation of rational economic regions and networks. (4) How should we resolve the relationship between the departments, the localities and the central cities? A tentative idea is that those enterprises and products which are very important to our national economy and the people's livelihood must be subject to centralized management by the appropriate departments under the CPC Central Committee. However, the central cities and industrial bases must be given a special power, namely, to participate in local economic cooperation. In this respect, the companies and factories under any department must be subordinated to the leadership of the central cities they are located in. Another category of enterprises will not be national enterprises. They will not be directly managed by various departments under the CPC Central Committee and will not be generally put under local administration, but will be under the administration of central cities. Various departments under the CPC Central Committee will mainly be responsible for drawing up plans and technological policies concerning them. (5) In practice, we must not rush headlong into mass action, but must follow a certain sequence. Shanghai and Shanxi have now been chosen for initial experimentation.

(6) Concerning the trend of change of the economic regions, what will they become as they develop? We must find out the answer in practice. This question is related to the reform of our entire national economic management system. In the future, if the administrative authorities and the enterprises are gradually separated and our government does not need to overly exercise administrative interference with the enterprises, then, under the guidance of state planning, the economic integration between various enterprises, between various localities and between various departments will further develop. The enterprises will have increasingly greater decisionmaking power. They will be subjected to centralized state planning, will pay taxes to and turn over part of their profits to the government, and will have a certain amount of decisionmaking power. If the reform in other areas can keep pace with this development, then a new situation in our economic management system will probably appear. What stages must we go through in this transition? This question has to be resolved through our future practice. (7) It is necessary to start with investigation and study. In the work of planning for economic regions, we must start with investigation and study. We must be acquainted with the economic conditions and situation of the relevant region, take for reference the relevant plans drawn up for various departments and commissions, and draw up a plan for the economic development of the region by proceeding from actual conditions.

Many comrades say that to solve the problem of systems which is related to the coastal cities, we must first solve the problem of the relationship between departments and localities. A unified economic entity requires that the departments and localities should not be divorced, but actually barriers do exist between departments and localities. How should we resolve this contradiction? Every enterprise wants to be responsible to only one higher authority, but the present problem is that every enterprise must be responsible to many higher authorities. How can we solve this problem? The answer is that we can solve these problems only through rigorous investigation and study.

Compared with inland cities, the coastal cities have more varied economic relationships with foreign countries. To develop their role in external economic relationships, we must correspondingly extend some of their powers. Is the current situation compatible with the role they should play? Judging from the circumstances of Shanghai and Tianjin, they are adequately empowered in handling external relationships and in other aspects, so what categories of power should be extended. To what extent should such powers be extended? Should other coastal cities be assigned the same powers as those to be assigned to Shanghai and Tianjin? Some comrades of the coastal cities say that the coastal cities' power over handling external economic relationships has diminished compared to 1964. If so, what powers did they have before 1964? What categories of power were withdrawn? Should they be withdrawn? What were the consequences of this withdrawal? Which of these withdrawn powers should be given back to them? We must continue to conduct investigation and study over these questions and many other questions, and must then work out methods of resolving them.

'JINGJI GUANLI' ON TAXES IN LIEU OF PROFITS

HK150640 Beijing JINGJI GUANLI in Chinese No 1, 5 Jan 83, pp 9-10, 13

[Article by Tian Jiyun [3944 4764 0061]: "On Speeding Up the Practice of 'Tax in Lieu of Profit'"]

[Text] In order to establish and further perfect the economic responsibility system in the state-run enterprises and to closely knit together the 3 factors in these enterprises of responsibility, power and profit, over the past 3 years, various localities have conducted an experiment of changing the enterprises' practice of remitting profits to the state to paying taxes (briefly defined below as the practice of "tax in lieu of profit"). The experiment has had good results. In the current economic readjustment period, we must tightly grasp and carry out whatever measures on reform of the structure are beneficial to the economic readjustment work and must pay attention to bringing the regulatory role of various economic levers into full play. Now I propose to present below some immature views on the problem of speeding up the steps of paying taxes in lieu of remitting profits by state-run enterprises and thus displaying the role of taxes as an economic lever.

1. In reforming the economic structure, an important consideration is how to correctly handle the relations between the economic interests of the state and the enterprises. In my opinion, the practice of gradually changing the remittance of profits by state-run enterprises to payment of taxes is, relatively speaking, workable and conforms to the direction of reform. For a period of time, various quarters have not yet held a consensus on the practice of "tax in lieu of profit." Some comrades have raised the question of whether or not the collection of income tax from state-run enterprises signifies a change in the nature of the enterprises being owned by all the people, and so on. In my opinion, the change of remitting profits to payment of taxes by state-run enterprises is merely a change in the form of capital accumulation by the state. It does not alter the nature of the system of ownership of the means of production by the whole people. It is just like the institution in the countryside of the system of contracted responsibilities with payment linked to output which does not change the nature of the collective economy. What is more important is the form of method which is more beneficial to developing the productive forces, to the state's formulation of macroeconomic policies and their regulation, and to its accumulation of capital construction funds. Departing from these concrete problems and vainly attempting to circle around abstract

ideas can carry us nowhere. It is true that we have not yet attained perfection in the experiment on the practice of "tax in lieu of profit," but comparatively speaking it is better than other methods in arousing the enthusiasm and incentive of those in charge of management and operation. It is a good manifestation of adherence to the principle of minding the interests of the state, of the enterprise and of the individual. It appears now that everybody has acquired a clear understanding of this practice. Hence, we must examine how this measure should be carried out and the concrete methods thereon, in order to speed up the steps in its implementation.

2. What are the advantages of carrying out this practice among the state-run enterprises? In my opinion, there are at least the following three advantages:

First, it helps in establishing and perfecting the economic responsibility system in state-run enterprises and in closely linking together the responsibility, power and interests of the enterprise. Following the gradual transition to the practice of "tax in lieu of profit," an enterprise has only the legal obligation of paying taxes to the state. After tax payment, the remaining profits belong to the enterprise, which has the right to dispose of them as it wishes. This can truly manifest the autonomous power of the enterprise.

Second, it helps in eliminating unnecessary administrative intervention imposed on the enterprises by the localities or departments on account of a conflict of interest and thus helps in gradually removing the "ownership" concept over the enterprises on the part of the departments in charge at various levels. Following the implementation of this practice, various enterprises, irrespective of their original subordinate relations, must pay the same kind of taxes, have the same kind of obligations and make the same kind of contributions to both the central government and the local governments. In this way, the enterprise can be gradually emancipated from the bondages of one party or the other. It will help in solving the longstanding conflict of economic interests due to the division in administrative power in our country's economic structure.

Third, it helps in perfecting the divided financial structure of the central government and the localities. Based on the full implementation by the enterprises of the practice of "tax in lieu of profit," it will be possible to change the former method which, on the basis of the subordinate relations of the enterprises, calls for making separate profit remittances to financial organs at various levels to one calling for making tax payments to recipient organs at various levels, that is to say, dividing the taxes into central taxes, local taxes and taxes jointly shared by the central and the local governments. This will provide the financial organs at various levels with a relatively stable source of income. It can also avoid the disadvantages arising from the enterprises making profit remittances only to the department to which they belong and also avoid constant bickering among the financial organs at various levels on problems of ownership and control of the enterprises which have bearing on the distribution of benefits.

In short, the practice of "tax in lieu of profit" is not only beneficial to solving the problem of a division in administrative power in matters affecting the economy but also plays a highly important role in promoting horizontal

economic relations and the merging together or reorganization of enterprises. It may be said that the advantages outnumber the disadvantages.

3. How should we carry out the practice of "tax in lieu of profit"? I think that there must be two steps, or stages, in the procedure. At present, the price structure in our country is extremely irrational. There is great disparity in profit levels of trades and enterprises. Some enterprises have earned rather high profits, not necessarily due to good management. If prices are readjusted, the tax rates must also be changed. Thus, we cannot all at once fully carry out the practice of "tax in lieu of profit" and stop remitting profits. This has been eminently proved in the experiments on "tax in lieu of profit." So far, we have already done a little work in readjusting the price structure and in the next few years we may well speed up the steps taken in this area. However, it will not be possible to basically complete the job in 1 or 2 years. This means that there will be certain difficulties confronting the overall implementation of "tax in lieu of profit." Based on this realistic condition to start with, we may well consider taking two separate steps, or stages, in carrying out the practice of "tax in lieu of profit."

Step 1: Coexistence of both tax and profit, but enlarging the tax ratio and reducing the profit ratio. This will require solving the following two problems:

1. In carrying out this practice, what should be the proper ratio: a 50-50 basis or a 40-60 basis (profit 40 percent and tax 60 percent)? In my opinion, the basis should be at least 50-50 and, even better, 40-60. As for the 40 percent surplus after tax payment, it should be divided on a percentage basis between the state and the enterprise. Computing this percentage distribution should follow the basis of the existing level of profit retention by enterprises working under the various forms of the economic responsibility system. It is likely that a large proportion of this 40 percent will be retained by the enterprise (in some cases the enterprise retains as high as 70 percent or 80 percent), although a portion of the profits must still be remitted to the state. If price reform is being carried out, then this segment of profit remittance to the state may well be used as reserve for price readjustment. In other words, the tax ratio will not be altered despite the price readjustment while only the division of the profits between the state and the enterprises will be appropriately readjusted. This will ensure that the taxation receipts will remain relatively stable.

2. What other kinds of taxes should be projected? In planning taxes, we should consider their ultimate distribution among the financial organs at various levels. If we limit consideration only to income tax, then the problem will arise as to which department, or what level of department, its yield should belong. In order to fully display taxation's role as an economic lever, it appears that dependence on only a single kind of tax will not work. Hence, I believe that in addition to the existing industrial and commercial tax, four more kinds of taxes should be instituted, as follows:

1) Energy resource tax. Because certain enterprises, such as mines, oil-fields and hydroelectric power plants, enjoy superior conditions in resources, they have a high profit level and therefore an energy resource tax should first be levied on them. Naturally, while the natural resources are still in the process of development, the tax rate should not be too high.

2) Surtax for cities and towns. The existing municipal maintenance fees which the financial departments are paying to cities and towns from a levy of 5 percent on profits of industrial and commercial establishments should be changed into a surtax for cities and towns. This tax should be paid by the enterprises directly to the city or town in which they are located.

3) Local tax. All enterprises, irrespective of their grade, must pay a tax to the locality. The tax rate can be a little higher, say between 10 to 15 percent. It will serve to help the localities in meeting their expense outlay.

4) Income tax. In addition to the three kinds of taxes mentioned above, an income tax should be collected. The tax rate should vary among the different trades. Under the conditions of profit remittances still being maintained by the enterprises, the income tax should temporarily be collected on the basis of a proportional tax.

The total levy of the above-mentioned 4 kinds of taxes should not exceed 50 to 60 percent of the realized profits. These four kinds of taxes should primarily be levied on the big and medium-sized enterprises. In fact, in our study of the practice of "tax in lieu of profit," we should concentrate on solving the problems of the big and medium-size enterprises. As for the small enterprises, such as small industrial plants, basic-level retail stores, restaurants and the service trades, we should, assuming the universal application of the contracted operation (or hire and lease) system, levy taxes on them in accordance with the taxation measures applicable to collective enterprises. The principle to follow is that after tax payment the units are responsible for their own profit or loss.

Following the implementation of these four kinds of taxes, the existing "two fees" system should be abolished. These two fees are: fees used for fixed assets; and fees used for circulating funds. Under the conditions of the depreciation rate allowed on fixed assets of the enterprises being rather low and the enterprises having to remit to the state a portion of their depreciation reserves, the additional collection of a fee on the use of the fixed assets is obviously unreasonable and has no actual significance. As for the circulating funds, commencing this year, they have become wholly subjected to control by the banks and are in fact part of a so-called "comprehensive loan." Since the bank is charging a rather high interest rate, there is really no need to charge an additional fee for use of the circulating funds.

Step 2: Full implementation of the practice of "tax in lieu of profit." This calls for abolishing the form of profit remittance to the state. Under the conditions of the price system being readjusted and gradually becoming rational, we need undertake only two more measures to accomplish full transition to "tax in lieu of profit."

One of the measures calls for changing the income tax from a proportional tax to a cumulative tax and the institution of a regulations tax. This will make it possible to adjust the varying and unequal fortunes between the enterprises. The other measure is that on the basis of the above-mentioned transition from profit to tax, we will change the original financial structure at various levels, which has been receiving the profits according to the subordinate relations of the enterprises, into a financial structure at various levels which will receive tax payments according to the different tax categories.

In short, Step 1 is the key to carrying out the practice of "tax in lieu of profit." I believe that its step should be quickened and the sphere of operation be expanded. This is because that in so doing the fiscal income of the state will not be affected nor will the enterprises be prevented from displaying their incentive and enthusiasm. Moreover, the procedure is a relatively simple one. Naturally, when projecting taking Step 1, large enterprises which have already implemented the principle of contractual operation with an increasing scale of profit remittances should continue their existing practice without any change. If Step 1 in the practice of "tax in lieu of profit" can be fully carried out, then by 1985 we shall be able to install a new financial structure whose components at various levels will be recipients of varying categories of tax levies.

CSO: 4006/424

NATIONAL ECONOMIC POLICY AND ISSUES

'JINGJI GUANLI' ON CONSTRUCTION MATERIALS INDUSTRY

HK150847 Beijing JINGJI GUANLI in Chinese No 1, 5 Jan 83 pp 11-13

[Economic commentary by Chang Jing [2490 2533] and Ru Nan [3067 0589]: "Construction Materials Industry Should Be Developed Relatively Expeditiously"]

[Text] The construction materials industry provides construction materials for industrial and agricultural production construction and for construction of various projects to meet the livelihood needs of people in the cities and the countryside. It is a raw materials industrial department which provides the various sectors of the national economy with nonmetallic mining products and new-type inorganic nonmetallic materials. After some 32 years of building, our construction materials industry has been developed into a rising and comparatively integrated industrial department. Compared with old China, the variety, quality and quantity of its products as well as its technical equipment and technological level have made vast changes. However, compared with the economically developed countries of the world, it is still rather backward. The general situation may be described as: fast in development and big in accomplishments; poor quality of products and poor economic results; and stringent in supply conditions and many contradictions.

Fast development and big accomplishments. In 1949, there were in the whole country some 40 small cement plants, glass factories and sanitary pottery ware plants. Now there are nearly 50,000 large, medium-size and small construction materials establishments. The size of the staff is 3.8 million. Of the plants, over 5,300 are owned by the whole people, with a staff of some 1.7 million. In 1981, the gross output value of the construction materials industry of the country amounted to 1.8 billion yuan (an increase of 16,000 percent compared with 50 million yuan in 1949). Output of the principal products was: cement, 84 million tons (an increase of 12,600 percent over 1949); plate glass, 30.64 million standard cases (an increase of 2,600 percent over 1949); sanitary pottery ware for construction use, 4.04 million pieces; glazed tiles, 9.27 million square meters; tiles, 60 billion; asbestos, 106,000 tons; graphite, 184,000 tons; and gypsum, 3,428,000 tons. Not only has there been a large increase in the quantity of products but also the variety of products has greatly increased and successful trial-production has been made on various types of construction materials and special raw materials for use by the petroleum, chemicals, electronics and space navigation industries. The scientific and technological level of the industry has also been continuously raised.

The irrational geographical distribution of industries has also been altered. For example, in old China, of its small number of cement plants, the great majority were concentrated in northeast China and north China and in a small number of cities and towns along the coast such as Shanghai and Canton. Now, with the exception of Xizang and Ningxia, all the remaining provinces, municipalities and autonomous regions have each at least one or several large, medium-size or small cement plants. Over 80 percent of the counties, including those in remote mountainous districts, in the country have established small cement plants. In addition, a relatively integrated contingent of technical personnel of a fairly high standard has been trained, capable of handling jobs in production and management, geological prospecting, scientific research, planning, teaching, machine building, mining construction and equipment installation.

Low technical level and poor economic results: The condition generally prevailing in the construction materials industry is: Antiquated equipment, backward technology and ageing technique. Equipment of the cement plants comprises mostly products of the 1950's and the hydro or wet process makes up 62 percent of the production technique. Making of plate glass still employs an old process of the 1920's. The picking and ore-dressing equipment used in nonmetallic mining is even more backward. All this not only entails a high energy consumption rate, poor product quality and low efficiency but also adversely affects improvement of the technological level. Moreover, enterprise management is backward and consequently the economic results are extremely poor. In 1981, the labor productivity rate of the entire personnel of the construction materials industry under the system of ownership by the whole people was less than 50 percent of the average rate for industrial enterprises in the whole country, and profits earned per every 100 yuan of fixed assets were 30 percent lower than the average for industrial enterprises in the whole country. Losses were incurred by one-fifth of the enterprises.

Stringent supply conditions and many contradictions: Principal construction materials such as cement, plate glass and sanitary pottery ware for construction use have been in scant supply for a prolonged period. Cement which is subjected to unified distribution by the state is annually short by over 5 million tons. The shortage in plate glass is even more glaring. Its annual output can meet only 40 percent of the need for capital construction and use in the urban areas and very scanty supplies are made available for the countryside. Output of sanitary pottery ware for house building can meet only two-thirds of actual requirements. Following development of the national economy and improvement in the standard of living of the people, this contradiction in supply and demand will certainly become increasingly serious.

The above situation shows that despite the rapid growth of our country's construction materials industry, it is still far from meeting the needs in capital construction and the livelihood needs of the people. Many causes account for this situation but the primary one is the longstanding lack of a sufficient understanding of the important position of the construction materials industry in the national economy. In the formulation of development plans of the national economy, the amount of capital construction investments is frequently taken as the basis for measuring and determining the amount of output of construction materials and for their development plans. Little or no

consideration has been given to the needs of the broad masses of people, particularly the 800 million peasants, while often, large gaps are found in supply. Some people go so far as to erroneously believe that construction materials constitute merely bricks, tiles, sand and stone which can be found everywhere. They contend that the production of these materials is easy and simple and does not require much effort. In this way, a longstanding imbalance has been created in the ratio of development between the construction materials industry and the national economy. The industry has become a relatively weak link of the national economy and thus adversely affects the national economy and the people's livelihood.

In the 20-odd years between 1952 and 1980, capital construction investments in the construction materials industry amounted to only 1.8 percent of the gross capital construction investments of the state. This was much lower than those in the first-grade production departments (investments in other departments were: metallurgy, 11 percent; electric power, 7.9 percent; coal, 6.5 percent; crude oil, 5.3 percent; chemicals, 6.2 percent; machine building, 4 percent; and forestry industry, 1.7 percent).

Because of the low proportion of investments devoted to the construction materials industry, a situation has arisen in which, as the saying goes, there are "too many monks but not enough porridge," and, as a result, an unequal distribution of funds among the constituents of the industry. For the sake of preservation of the focal point, namely, the cement industry (investments on cement plants have occupied over 50 percent of the investments on the construction materials industry as a whole), many other branches of the industry and many basic capital construction projects have to be laid aside. Despite such efforts, because of the small amount of investments available, even this focal point has not been well preserved. Over the past 30 years, of the large and medium-size cement plants invested in by the state, the average new production capacity added was only several hundred thousand tons a year. This is an important reason for the passive state of affairs at the moment.

After the 3d Plenary Session of the 11th CPC Central Committee, when the national economy entered a new period of readjustment, the situation of the construction materials industry failing to meet the development needs of the national economy and the improvement of the standard of living of the people has attracted the attention of various quarters. Accordingly, leadership comrades at the CPC Central Committee and the State Council have issued a series of important directives on the development of the construction materials industry: the directives designated construction materials as one of the vanguard forces of the national economy; they stressed the industry's important position and role in the national economy and in the people's livelihood; and they advocated that we must take the national conditions of our country as the start and take into account our 1 billion population in studying the direction of the development of the construction materials industry and the concrete guidelines and policies for its achievement. The investments of the state in the construction materials industry have now increased in comparison with past years and as a result the industry has taken on a new appearance. In 1981, compared with 1978, the increase in the output of the principal products were as follows: cement, 29.4 percent; plate glass, 52.9 percent; sanitary pottery ware, 77.7 percent; and tiles, 45.8 percent. Sizable increases were also made

in the output of new-type construction materials for wall erection as well as structural materials for farm houses.

To further speed up the development of the construction materials industry, in formulating the national economic and social development plans we must consider, on the one hand, the important role of construction materials in capital construction and, on the other hand, the needs of residential housing construction in the vast urban and rural areas and particularly the need to improve the housing conditions of the 800 million peasants. Construction materials are means of construction and at the same time are means of subsistence of the people. Hence, the current policy of giving preference to the development of the light and textile industries should also apply to the construction materials industry. In the past few years, as a result of the party's rural economic policy being well received by the populace, the vast countryside has shown unprecedented signs of prosperity. Being now more affluent than before, the peasants have turned their thoughts to building houses. In recent years, more than 10 percent of peasant families have built new houses. There are about 18 million such families and if each household requires roughly 1 ton of cement and half a crate of plate glass (these are probably the minimum requirement standards), then each year the construction materials required will be 18 million tons of cement and 9 million crates of plate glass. At present, due to the large gaps in the supply of these products, the peasants are having a hard time procuring the needed materials. It appears that even though they have money, the materials are unprocureable. They are thus deeply disillusioned. Hence, the satisfaction of the needs of the broad masses of peasants is now an important and difficult task confronting the work of the construction materials industry.

In order further to accelerate the development of the construction materials industry, we must first keep our national conditions in mind and examine the direction and the relevant guidelines and policies for the development of the industry. Our country has a population of 1 billion of which 800 million are peasants. Our economy is backward. Housing conditions in the cities and the countryside are poor. For some time to come, it will be impossible to develop the use of steel or light alloy-metallic materials as principal structural materials for house building. Moreover, we have scanty forest resources: we are extremely short of timber supplies. The forest "cover rate" over our land is only 12.5 percent which is much lower than the average level of 20 percent for the world as a whole. Hence, it is hardly possible to depend on timber as the principal construction material. In the past, in house building, large quantities of bricks and tiles made from adhesive soil were used. This meant the destruction of many pieces of good farmland and involved a huge consumption of energy. Naturally, for our country, which has a big population but scant cultivated land, a longstanding dependence on destroying farmland in order to produce bricks is hardly practical, but since our country has plentiful resources of construction materials such as limestone, which can be found everywhere, there are good conditions for the development of the cement industry. Thus, the development of the cement industry not only can fill actual needs but is also entirely possible. At the same time, we should develop the plate glass industry and the industry turning out sanitary pottery ware for construction use. We should extensively utilize industrial residual materials as well

as local resources and should speed up the study, manufacture and development of various kinds of new-type light weight and high-density materials for building walls. We should also examine the use of various kinds of waterproof materials and thermal insulation materials in order gradually to reduce the production and use of bricks and tiles made of adhesive earth.

In order further to accelerate the growth of the construction materials industry, we must rely on the existing enterprises to fully tap their hidden production potential. As already mentioned, our construction materials industry possesses a definite amount of production capacity, unfortunately, it has rather antiquated equipment and while the raw materials consumption rate of the products is high, the quality of the products is low. Moreover, the labor productivity rate is at a low level. For example, of the existing 52 large and medium-size cement plants, at least 1/5 have so far failed to reach their planned production capacity, there being some production lines which lack the necessary accessory equipment and hence cannot be in full operation. Moreover, the rotation rate of the kilns cannot yet match the best historical level. All this has been responsible for reducing the annual cement production by two to three million tons. There are several thousand small cement plants which still lack the necessary accessories for their equipment. This means that roughly 10 million tons of production capacity cannot be brought into full play. Similar conditions are found in other trades and industries. In order now to bring the old enterprises into full play, we must emphatically grasp the following two measures, namely, all-round reorganization of the enterprises and technical rebuilding. The purpose of reorganizing the enterprises is to improve in an all-round manner the enterprises' management and operation and to raise the economic results, and the key to reorganizing the enterprises is to select a group of young and strong personnel who know the business, who are virtuous and who are talented enough to take up leadership work at various levels and to improve the enterprises' management.

Technical rebuilding of the existing enterprises has certain advantages over the establishment of new enterprises. The advantages are: savings in investment, quick results and large benefits. Since the construction materials industry has a high energy consumption rate, its technical rebuilding at present should concentrate on such focal points as savings in energy consumption, economy in raw materials consumption, improving the quality of products and reforming and changing the structure of the products with the aim of improving the economic results. As a matter of fact, technical rebuilding is often confronted with rather big difficulties. In undertaking it, we must base ourselves on actual needs and proceed in a planned and methodical manner. We must first grasp the focal points and actively but cautiously adopt advanced technology, advanced workmanship and advanced equipment and thus gradually lead the construction materials industry to a new basis of technology. This is a long-term, firm and irrevocable technological policy. We must also organize our technical power to solve knotty problems, enhance the technical results, and enable the fruits of research to be rapidly converted into a productive force. For example, concerning such current world advanced techniques as the "exterior decomposition" process in cement production and the "floating" method in plate glass production, we have already basically grasped their principles and set up new production lines, thanks to the prolonged

efforts made by our large number of scientific and technological personnel. We must, on the one hand, continue to improve and bring to perfection new technologies of this kind and, on the other hand, spare no efforts to create conditions for their expanded adoption.

In order further to accelerate the development of the construction materials industry, we still need to continuously expand the production capacity of the construction materials industry so as to achieve a coordinated growth of the various kinds of products of the industry, under the guidance of the state's unified plan and after effecting an overall balance of all the relevant factors. We must continue to expand and newly establish certain enterprises. But to expand the production capacity, the availability of funds poses a big problem. To solve this problem, one effective measure is that in addition to seeking investments from the state, we can fully arouse the enthusiasm of the localities and of the various brother departments and organize the raising of funds between government and the localities, between the localities themselves, between the localities and the enterprises, and between the enterprises themselves, for the purpose of establishing construction materials plants. This, however, must follow the planned guidance of the state and must give due regard to the interests of all parties concerned. There must also be definite policy provisions on such matters as the distribution of the products, taxes, profits, labor employment, and so on. Another possible road is the active utilization of foreign capital, based on a full acknowledgment of the country's independence and integrity and under conditions of mutual benefit. In planning the increase in production capacity, first consideration must be given to those old plants which have the necessary conditions for expansion. As for the establishment of new large and medium-size projects, we must decide cautiously. We should first make repeated and careful study of the projects and only when we are certain that they are workable should we then incorporate them into the plan and proceed with making the arrangements for starting construction. Both new projects and expansion projects must follow rigidly the prescribed procedure for undertaking capital construction. The necessary preconstruction preparatory work must be thoroughly done. We must prevent ourselves from committing again the past errors of hastily starting work, and thus incurring heavy losses, before we have clear knowledge of the resources and geological conditions, or when the calculation of the economic results has been faulty, or even when the anticipated outside factors cannot be realized.

CSO: 4006/426

NATIONAL ECONOMIC POLICY AND ISSUES

'JINGJI GUANLI' ON LIGHT INDUSTRIAL ENTERPRISES

HK151349 Beijing JINGJI GUANLI in Chinese No 2, 5 Feb 83 pp 14-16

[Article by Wan Erqing [1354 0059 3237]: "Manage Well Second Category Light Industrial Enterprises in Accordance With the Nature and Characteristics of Cooperative Economy"]

[Text] Industrial cooperative economy in cities and towns is an important socioeconomic form in China. In order to fully display the role of this economy in the process of realizing the modernization program, it is necessary first of all to correctly understand the nature and characteristics of this economy so that we will be able to solve existing problems, readjust various policy measures and improve the management of enterprises with collective ownership.

The nature of the industrial cooperative economy in cities and towns is mainly shown in the following two aspects. First, it has the means of production with public ownership. Like state economy, this economy is also contradictory to private ownership economy because it has eliminated the exploitation of men by men and carries out planned economy and distribution according to labor. Second, its autonomy over the means of production is limited within the sphere of the laboring masses. It is an independent economy, with its means of production collectively owned by producers who are making and distributing the products of their labor. In this aspect, the industrial cooperative economy in cities and towns differs from state economy. The characteristics of the industrial cooperative economy in cities and towns can be summarized into "four selves and one distribution." "Four selves" refers to voluntary cooperation, raising of funds by producers themselves, being responsible for both profits and losses and carrying out management by themselves. "One distribution" means that at the end of the year, operating profits of enterprises are distributed among producers in the form of bonuses and according to labor. These characteristics are determined by the nature of this economy and they directly link the production and business of enterprises with staff material interests. Therefore, it is imperative to follow these characteristics and run the collective enterprises well in various forms so that we will be able to further mobilize the internal motive force of enterprises and promote the development of collective economy.

At present, a 'new generation' of collective enterprises has emerged in cities and towns and, therefore, it is necessary at the beginning to organize such enterprises in accordance with the characteristics of the "four selves and one distribution." We can in no way return to the old and tortuous road that was experienced by the "older generation" of collective enterprises. As young intellectuals who are waiting for employment in general have not acquired technology, do not have tools and places for production and do not have the capability to carry out management by themselves, the situation in running new collective enterprises is very different from the situation in organizing individual handicraftsmen in the 1950's and there are many difficulties in the former situation. Therefore, in developing collective economy it is necessary to organize cooperation well and strengthen leadership, and support from various aspects is needed. Proper methods must be employed in solving such needs as funds, equipment and workshops so as to avoid equalitarianism and indiscriminate transfer of resources. It is also urgent that we restructure and reform the "older generation" of the second category light industrial enterprises according to the characteristics of "four selves and one distribution." From looking at the situation in Anhui Province, this work can be carried out in the following aspects.

1. Diversified organization forms. The present situation of the second category light industrial enterprises is characterized by different levels of productivity with higher proportions of manual operation, lower degrees of mechanization, lower product socialization and, therefore, it is necessary to organize these enterprises in various forms and not in a single form. This is because the form and scale of every form of ownership that lags behind or surpasses the actual level of development of production will hinder the development of productivity. It can be seen now that the second category light industrial enterprises cannot just concentrate on centralized production; so that the majority in the handicraft operation may carry out dispersed production and, in this aspect, the enterprises may carry out unified organization by providing raw materials, collecting products and dispersing production to families; under enterprise unified leadership, some manufacturing enterprises may introduce the method of recording profits and losses according to specialization, teams or service departments or may even use the method of households being responsible for profits and losses. Some people have said that this method is retrogressive; in fact, in judging whether a certain form of public ownership has advantages we must see mainly whether this form is able to mobilize fully the initiative of laborers, whether, through the economic activities of this form, we are able to meet still better the needs of people's material life, provide society with better economic efficiency and promote the development of productivity. Historical experience proves that a single organizational form and eventually results in a single variety of products and lowers service quality and this situation is not in the interests of either society or enterprises.

Following the development of the reforms of the economic system and productivity, some new organizational forms will emerge in the future, such as unity between collective and state enterprises, among collective enterprises, between industry and agriculture and with foreign industrial and commercial companies. But we must pay attention to the diversified organizational forms of

enterprises in some places and trades and at the same time it is imperative to take readjustment measures.

2. The size of enterprises must be limited and not too big. In order to accord with diversified organizational forms, it is generally better that the second category light industrial enterprises be made smaller, particularly the enterprises in prefectures and towns. Small enterprises have advantages that cannot be found in big enterprises. They are like "small boats that are quick in changing their direction" adaptable to the needs of market changes, able to provide small quantities and many varieties of daily necessities, make use of dispersed funds, comprehensively utilize raw materials, turn waste to wealth and provide timely repair services to urban and rural populations. Therefore, it is imperative, with full discussion by staff and workers, for collective enterprises with complicated trades, excessive size and backward management, to be split into smaller units according to trade and type of product; it is also necessary for the enterprises that are being changed to other production because of the lack of production tasks, to take the road of "splitting, shifting and uniting" as soon as possible and they can be turned into big factories; the enterprises in rural areas which are difficult to run must not, in general, be moved to cities and towns or merged.

3. Do not separate small collectives from big collectives. Some of the second category light industrial enterprises were previously cooperative factories that were set up by making use of the funds or capital from united cooperatives of the handicraft industry at various levels and they are termed "bit collective" enterprises. They were once put under the unified accounting of unified cooperatives (later they became management departments of the second category light industry) that were responsible for both profits and losses. Over the past few years, such cooperative factories in general have been changed to become responsible for either profits or losses. This reform is necessary and correct, but with just the change in the form of accounting, it has not been possible to resolve the question of the ownership of the means of production. This is a result left over from history and therefore it must be solved taking history into account. On the one hand, it is necessary to announce that some second light industrial collective enterprises whose fixed assets and working capital are formed by the cooperative fund must pay borrowing fees to management departments annually or pay more in the interests of the cooperative fund; on the other hand, it must be affirmed that like other forms of "small collective" enterprises, these enterprises qualify as independent commodity producers and, therefore, they must be allowed to carry out production activities according to the nature and characteristics of the collective economy. In this way, the so-called "bit" and "small" enterprises will exist side by side in future and there will exist only the difference between the new and the old.

4. Realize democratic management. The present task is to lose no time in realizing the decision of the new constitution about democratic management of the collective enterprises so that the management staff of the collective economic organizations are elected and dismissed by all the laborers of the organizations. To elect leading cadres for the collective enterprises is directly related to the economic interests of the masses themselves and, therefore, the

masses must pay attention to democratic elections and they are in a position to find talents and elect qualified persons with good ideology, production knowledge, cultural education and administrative experience into leading positions. As long as we trust the masses, implement the election system and do a good job in democratic management, the enterprises will consequently be able to improve their management.

5. Perfect economic responsibility system. At the present stage, the introduction of economic responsibility systems by collective enterprises often stresses the importance of production value, profit and distribution of income and neglects comprehensive economic efficiency and economic responsibility toward the state while business results of enterprises do not bear direct relation to the income of the management cadres of these enterprises. To change this situation and perfect the economic responsibility system, it is necessary to define enterprise economic responsibility toward the state in the form of "responsibility, protection and coordination" so that management departments will be aware of the tax and profits of enterprises. The method of linking production with profit and with part of wages floating may be introduced for senior cadres of enterprises. It is also necessary to perfect teams' basic work, actively introduce two-tier accounting, with each being responsible for profit and losses so as to combine the positional system and the economic responsibility system, directly link workers' income with business results of workshops (teams and groups) and consequently mobilize the initiative of the whole staff.

6. Uphold labor bonuses. The profit made by collective enterprises is distributed in the form of bonuses at the end of the same year. This practice is in line with the socialist nature of cooperative economy. But this supplementary form of distribution of profit has been abolished since the second half of the 1960's. But over the past few years, some places have restored yearend bonuses. According to our view, this practice is imperative because at the present stage, the wage standard of the collective economy is in general lower than that of the state enterprises of the same trades. Of course, the amount of bonus must be controlled. As long as we are able to follow the principle of "no profit, no bonus, less profit, less bonus and big profit, limited bonus," providing bonus will help staff and workers to become more concerned with the business results of enterprises.

7. It is advisable to restore share capital. Share capital is a common feature of economic cooperation among countries. It was wrong in the past to refuse share capital, because with such practice, the close relations between enterprises and their staff are cut off and it is not in the interest of economic management and of helping staff foster the ideas of being concerned with factories. In order to mobilize the initiative within enterprises and combine the autonomy of enterprises with the responsibilities, rights and interests of their staff, it is advisable to restore share capital in the second category light industrial enterprises. There are two methods for raising share capital. One is basic share capital that is paid by all staff and the amount in general must not be less than the enterprise monthly average wage standard. The other is investment share capital and the amount is not limited. As the collective enterprises have already implemented the method of

providing bonuses; but dividends must be given. The dividends must be a little bit higher than bank interest rates and must be regarded as the same as the interest on loans from bank working capital. It is better to include dividends in capital.

8. It is necessary to strengthen ideological work. It is difficult to consolidate and develop collective enterprises by relying on economic and organizational measures alone. We must at the same time rely on constantly raising the ideological consciousness and revolutionary enthusiasm of staff and workers. Therefore, the collective enterprises must be turned into schools where education on socialism, patriotism and collective ideology is given and the task of these schools is to train the ranks of the staff and workers who have ideals, morality and culture and who observe discipline. At present, we must pay attention to education on correctly handling the relations of interests among the state, collective and individuals and uphold the principle of more revenue for the state, more retention for the collective and more gain for individuals. The practice of only giving consideration to staff and workers and dividing up profit must be corrected in time.

As the difference between collective ownership by the laboring people and ownership by the whole people still exists, policies must be implemented according to the differing nature of ownership. At the same time, as the second category light industrial enterprises are characterized by many trades and as they are widely located with complicated situations and there exist natural relations among various trades in the process of production, the management of production must be carried out according to different departments. According to our view, it is only when we are able to combine the two aspects that we will be able to mobilize the internal motive of the collective economy to accord with the objective needs of the nature and characteristics of the collective economy and with the objective needs of the development of the socialist planned economy and production technology. Concretely speaking, we must lose no time in building unified and united organizations of city-town collective economy to replace unified administration systems and separate administration from enterprises. Now, the general cooperatives of handicraft industry have been restored across the country and, therefore, the handicraft industrial cooperatives at various levels under provincial and municipal levels must also be restored. Restoring these organizations will play a very important role in protecting the rights of the collective economy, carrying out unified coordination and regulation, providing information, smoothing out channels and implementing policies. But we must proceed from the current situation. In managing production and coordinating specialized departments according to specific departments, the ownership, subordinate relations and financial receipts and payments of the collective enterprises that do not belong to specific departments must be maintained. The collective enterprises that belong to different specific departments and particularly the management system of the old and new collective enterprises must be allowed to exist simultaneously, because in this way they may promote each other and make progress together.

'JINGJI GUANLI' ON POSTS, TELECOMMUNICATIONS WORK

HK150845 Beijing JINGJI GUANLI in Chinese No 2, 5 Feb 83 pp 17-20

[Article by Police Research Office of the Ministry of Posts and Telecommunications: "Strive To Do a Good Job in Posts and Telecommunications"]

[Text] Comrade Hu Yaobang pointed out in his report to the 12th CPC Congress that it is imperative to guarantee that the national economy will grow at a certain speed to step up in a big way the construction of posts and telecommunications. To conscientiously carry out the tasks put forth by the 12th CPC Congress and spare no effort to build posts and telecommunications are tasks of great significance to realizing the grand goal of the economic construction of China.

The Important Roles Played By Posts and Telecommunications in Economic Construction

Posts and telecommunications are part of social production, they represent an indispensable basic structure of modern society as well as the "nerve system" of the national economy. Posts and telecommunications represent an independent industrial sector of the national economy and they organically link the four aspects of social production, distribution, exchange and consumption by providing high quality, high efficiency and low consumption telecommunications. All economic departments and regions, all industrial and mining enterprises, production, coordination, transfer of funds and materials, exchanges of technical information and trade among various countries in the world, all these need telecommunications links. Posts and telecommunications have displayed increasingly important roles in the construction of the national economy and people's daily life and these roles are mainly shown in the following aspects.

(1) By using modern telecommunications, national economic departments will be able to acquaint themselves promptly with the situation and news of various places in the world, rapidly and correctly grasp market situations and various types of economic information and speed up capital turnover and commodity circulation to achieve the greatest economic efficiency. For example, one day in June 1982, the Ningxia branch of the China National Machinery Equipment Import and Export Corporation urgently needed to contact Hong Kong with regard to changes in the contract financing. This company contacted Hong Kong by

long-distance telephone and was informed that the responsible person of the Hong Kong company had already left for Beijing. This company finally contacted that executive in Beijing, also by long-distance telephone. In a matter of several minutes of telephone talks; the question of cancelling the letter of credit with a total foreign exchange of several million Hong Kong dollars was finally resolved, thus avoiding economic losses to the state. Another example is that the turnover and circulation of funds among banks at various places in the country are also carried out through telecommunications. If the posts and telecommunications departments are able to quicken the transfer of information on the present basis, the period for the turnover and circulation of the working capital of various economic departments will be shortened by 1 to 10 percent and it means that these departments will be able to save several hundred million or even several billion yuan per year.

(2) By making full use of telecommunications, the various national economic departments are in a position to scientifically organize production activities, save work hours, speed up the process of production and improve work and production efficiency. For example, over the past years, vehicle companies in Beijing and Shanghai have used mobile telecommunications equipment to dispatch vehicles, enabling them to grasp promptly the movement of the vehicles. As a result, these companies have been able to decrease empty load and increase their vehicles' utility rate by 30 to 100 percent. Another example is that railway departments have also used train radio telecommunications to direct the dispatch of the trains and have made considerable achievements in speeding up the turnover of locomotives and trains, shortening the time of trains' stopping at stations and improving the rate of transportation. For another example, an addition of a daily freight train on the 240-km long railway between Beijing and Shijiazhuang means that the state gains the ability to transport an additional 700,000 tons of goods annually and railway departments will be able to increase income by about 2 million yuan.

(3) As the supply of energy in the world is tight, it is of great strategic significance to save energy by making use of various forms of telecommunications.

With the rapid development of the social economy, posts and telecommunications will increasingly have great influence on people's material and cultural life. Statistics show that in 1981, more than 2,100 kinds of newspapers and magazines were circulated throughout the country through posts and telecommunications departments. And by using microwave circuits, the departments are able to relay TV programs to more than 20 provinces, municipalities and autonomous regions across the country. Statistics show that 10 percent of the national revenue of some economically advanced countries and 2 percent of the average world national revenue comes from telecommunications. In fact, the level of the modernization of posts and telecommunications and the degree of popularity in the use of telecommunications by people have become an important criterion of the level of economic development and material and cultural life of a country. Many countries have given priority to the building of posts and telecommunications in the building of national economy.

The Present Basic Condition of Posts and Telecommunications in China

Posts and telecommunications in China have developed tremendously in the past 3 decades and more since the founding of the PRC and great achievements have been made in this aspect. By the end of 1981, the total length of postal lines across the country was 4.66 million km, 560 percent longer than the figure of early liberation days; long-distance telephone lines totalled 23,900, an increase of 830 percent; telegraph lines 8,800, an increase of 310 percent, and urban telephone exchange equipment 21.79 million, an increase of 700 percent. A total of 99.6 percent of people's communes and production brigades are now linked by postal service and 95.5 percent of people's communes and 58 percent of production brigades are now linked by telephone service. Telecommunications have also been developed considerably in minority nationality regions. All these achievements are beyond the match of the posts and telecommunications of the old China.

With the development of the foreign relations of China and the development of foreign trade, our international telephone service has also developed quite rapidly. We have set up direct postal links with 111 countries and regions in the world, including mail and parcel services. In telecommunications, we have established direct telegram, telephone, telex and phototelegraph services with 46 countries and regions in the world, established leasing special circuits with 12 countries and regions and we have also established the relations of relaying TV and broadcast programs with certain major cities in Asia, Africa, Europe, America and Oceania.

But in spite of all this, the posts and telecommunications in our country are still far from meeting needs and they are seriously backward. This situation has been improved following the implementation of the principle of readjustment, but they are still weak links in the national economy of our country and the most backward links in our transportation systems, and are not in line with the needs of the modernization program and people's life. These problems are mainly shown in the following:

First, urban telephones, particularly in big cities, are still in a very tight situation. Since the founding of the PRC, gross industrial and agricultural output value across the country has increased by 1,510 percent, of which gross industrial output value increased by 4,600 percent, but the number of telephone sets only increased by 700 percent; the telephones in cities above provincial level only increased by about 100 percent, with an average of less than half a telephone for 100 persons across the country. The popularization rate of telephone sets in Beijing urban areas is only about 5. The situation in which telephones are not installed and telephone service cannot be put through is very serious. Over 300,000 would-be users in cities above provincial level have applied for telephone sets and are still waiting.

Second, long-distance telephone lines are limited. Since the founding of the PRC, long-distance telephone sets have increased by 830 percent; telegraph services increased by 1,320 percent and telegraph lines by 310 percent. The growth of the needs far exceeds the growth of the capability of telecommunications. At present, there are only over 20,000 long-distance telephone lines

throughout the country and this figure is only 1 percent of the total long-distance telephone lines in Japan. Furthermore, our long-distance telephone lines are mostly overhead lines. Because of limited long-distance telephone lines, with low quality technology, people have to wait for a long time to make long-distance calls and many calls are cancelled.

Third, posts and telecommunications networks and points are limited, production space is limited, relaying equipment is insufficient and relaying speed is slow. Since the founding of the PRC, postal matter and publications have increased by 1 to several dozen times, but the number of post offices has only increased by less than 1 percent. Production rooms for handling postal service and distribution lag far behind needs. Some units have failed to distribute all of the many new publications because of limited space. Big commodity parcels have increased drastically in some regions but the post offices concerned are unable to handle all of them and consequently, these post offices cannot but handle the parcels in limited quantity. This practice has affected the circulation of commodities and the development of enterprises run by people's communes and production teams.

Fourth, the technology of our international telecommunications service is very backward and contradictory to the needs of open-door policy. Our international telecommunications service has developed rapidly over the past few years but our facilities are backward and capacity is low. Telex exchange systems of international telex output offices in Beijing and Shanghai are fully loaded and a number of foreign subscribers are urgently awaiting new installations. Exchanges of international telephone calls are mostly done manually and therefore the speed of service is low and people have to wait a long time.

Fifth, types of posts and telecommunications service are limited and unable to meet the needs of various departments. Various national economic departments need to relay and exchange information quickly in production dispatch, scientific management and scientific experiments; some departments have to use electronic computers with linking networks and therefore they require posts and telecommunications departments to provide high speed, high efficiency and large volume telecommunications and new telecommunications services such as data and images, but present conditions make it impossible to provide such services on a large scale.

The reasons for the seriously backward condition of posts and telecommunications in China include many years of "leftist" wrong influences and particularly the interference and sabotage of Lin Biao and the "gang of four." In addition, there are also many other reasons. First, for a long time, investment in posts and telecommunications has been very low. In the early days following the founding of the PRC, investment in posts and telecommunications made up 3.5 percent of the total state investment in construction and for quite a long time during the following period, the figure was kept at about 0.8 percent, seriously hampering the development of posts and telecommunications. Second, charges for posts and telecommunications and distribution have always remained low and with relatively low retention for depreciation funds. Consequently, it is difficult for posts and telecommunications

departments to accumulate funds for construction. Third, in many places, the construction of urban telephone and postal buildings is not included in the planning for urban construction and therefore there are many difficulties in allocating land, dismantling and removing, civil engineering construction, execution of planning and underground construction. It is often the case that construction projects cannot be carried out according to planning. Fourth, the management of posts and telecommunications enterprises is backward, the building of posts and telecommunications is unbalanced and no attention is paid to the efficiency of investments. Some construction projects have failed to display their efficiency for a long time.

Step Up the Building of Posts and Telecommunications in a Big Way

It is a strategic key in developing the national economy in China to step up in a big way the building of posts and telecommunications in the next two decades, and it is also an urgent need in the building of material and spiritual civilizations. It is imperative during the Sixth 5-Year Plan to give priority to relaxing the tight situation of posts and telecommunications and trunk line telecommunications in big cities so that we will be able to add 700,000 pieces of telephone exchange equipment, 6,000 long-distance telephone lines in big and medium cities, build posts and telecommunications hubs and 400,000 square metres of buildings in key cities for postal production; reform, expand and build 2,700 post offices and build a Beijing International Telecommunications office. In order to solve the problem of the urgent needs of telecommunications and relay of TV program in remote regions, tourist resorts and key industrial and mining bases, it is imperative for posts and telecommunications departments to set up several new satellite telecommunications ground stations through leasing from international telecommunications satellite organizations and by relying on the telecommunications facilities at home. In order to step up the building of posts and telecommunications it is imperative to rely on policy, administration and science and technology.

(1) We must proceed from the specific conditions of our country, and at present it is necessary to start with the work of long-range goals and solve the tight situation in posts and telecommunications and on this basis it is imperative to gradually solve the backward condition of posts and telecommunications and modernize them. It is necessary to work out overall plans, do a good job of achieving an overall balance and making technical and economic analysis, strive to improve investment efficiency, combine necessity with feasibility and oppose blindly adding new projects and capital construction. It is also imperative to make full use of advanced means of technology such as microwave and satellites and gradually set up a telecommunications network that has both cables and microwave as the main part and that has various means of flexible telecommunications.

(2) Strengthen management and constantly improve economic efficiency. Posts and telecommunications departments must first of all strive to improve their service and guarantee the quality of telecommunications. At the same time, efforts must be made to improve management and increase profits, constantly increase accumulation and expand productivity. At the present stage, it

is necessary to reform postal and telecommunications enterprises in an overall way.

(3) Active measures must be taken to reform the management of posts and telecommunications properly and stably and such shortcomings as excessively centralized management powers, mixture of administration and enterprises, distribution method of "everybody eating from the same big pot" and egalitarianism. It is imperative to set up and perfect an economic responsibility system that accords with the characteristics of posts and telecommunications and gradually realize the accounting based on specialization and overall economic accounting of telecommunications enterprises.

(4) Step up posts and telecommunications research and do a good job of technical reform and innovation. Posts and telecommunications departments have the advantage of combining research with production and utilization. This advantage must be fully organized and displayed and it is necessary to strengthen coordination, concentrate efforts and make technical breakthroughs. It is also necessary to shorten the period from scientific research to production and from experiments to investment so that the results of scientific research can be rapidly turned into telecommunications capability and constantly provide posts and telecommunications with advanced equipment. At the same time, it is also necessary to actively but cautiously make use of foreign capital and import advanced and required technology and key equipment.

(5) Improve staff training and help them improve their political consciousness and technical level. Education of the staff of posts and telecommunications must be stepped up in a big way. It is most important at the present stage to train cadres at all levels and help young staff improve their cultural and technical level. The staff of posts and telecommunications must also be encouraged to improve their knowledge through self-study.

The Governments at All Levels Must Render More Support and Assistance

The building of posts and telecommunications must be stepped up. Posts and telecommunications departments must display the spirit of self-reliance and hard work and constantly improve their management level. There are many problems in the building of posts and telecommunications and these cannot be resolved by relying solely on posts and telecommunications departments. In approving the report made by the Ministry of Posts and Telecommunications about speeding up the building of posts and telecommunications and relaxing the tight situation in telecommunications, the State Council pointed out in March last year: "The various departments concerned and regions must give more support and assistance to the building of posts and telecommunications." Therefore, the governments at various levels and departments concerned must render great support and assistance to posts and telecommunications departments in the following aspects:

First, by including the building of posts and telecommunications in the planning of urban construction. Over the past long period, the building of posts and telecommunications was excluded from the planning for urban construction and therefore in carrying out such building, there were many problems in such

aspects as utilizing land, dismantling and removing, civil engineering projects, the construction of urban pipe lines and in adding service network and points. Some major projects have not been carried out for many years and some others cannot be carried out because of the necessity of building underground pipelines. Even though the planning for the building has been passed down and investments have been made, the reasons for delay are that these projects still have many difficulties such as utilizing land, dismantling and removing. Therefore the posts and telecommunications departments at various levels hope that the planning and urban construction departments of local governments will follow the announcement of the State Council and regard the planning for the building of posts and telecommunications as an important part of urban planning and construction.

Second, by stepping up the building of urban telephone facilities. Beginning in 1981, urban telephone undertakings began to carry out independent accounting, with profit and all costs for initial installation being retained by urban telephone enterprises as construction funds and special funds for special uses. This measure has played an active part in developing urban telephone services, but in general, bigger investments are required for the building of urban telephone facilities. About 2,500 yuan is needed to install a new telephone service in a big city and about 1,500 yuan in a prefecture or municipality; and to build a new branch office involves many aspects, therefore urban telephone offices must be jointly invested and built by central and local governments. Building above prefecture and municipality level must be unifiedly planned by posts and telecommunications departments that must also be responsible for the investment of the equipment. The investment in civil engineering projects, pipelines and telephone lines must be made by localities.

Third, by building of telecommunications in rural areas. Rural telephone services have played very important roles in serving agricultural production, dealing with emergencies and providing disaster relief, relaying scientific experiments and defending border regions, but the management of rural telephone services is relatively backward and it is suffering serious economic losses. Over the past few years, cases of dismantling telephone facilities in rural areas have occurred constantly, and the departments concerned must pay special attention to this problem. It is hoped that local governments will strengthen their leadership and management over rural telephone services: they must be included in provincial construction planning and proper investment must be made. It is also necessary to step up the building of rural transceiver stations and the ranks of transmitting-receiving staffs.

Fourth, by combining the building of posts and telecommunications. Posts and telecommunications departments are now making very little profit and therefore it is really very difficult for them to realize building planning by relying on funds accumulated by themselves. In order to speed up the building of telecommunications facilities, the state must work out a preferential policy for posts and telecommunications departments while the departments themselves must strive to open more channels for funds by drawing more local investments and raising funds from subscribers. Over the past few years, such provinces and municipalities as Shandong, Henan, Shanghai, Tianjin and Beijing have made

achievements in these aspects. For example, in 1979, the Ministries of Chemical Industry, of Coal and of Posts and Telecommunications agreed that the former two ministries would jointly invest 3.07 million yuan to build and manage the Ministry of Posts and Telecommunications, build two cables linking Beijing and Zhuo prefecture in Hebei Province and install a 60-line switchboard and other corresponding equipment. These projects have been completed and put into production. In the future, posts and telecommunications must continue to follow the principle of building telecommunications facilities together with other departments and provide convenience to the departments and units that are willing to cooperate.

Fifth, by overcoming repetitious construction of telecommunications facilities. As posts and telecommunications departments have been in a backward condition for quite a long time, they are not in a position to meet the needs of telecommunications by various departments. As a result, some departments have set up their own telecommunications facilities but such construction is dispersed, with each having its own system, and technical standards are not unified, frequency and wave lengths are duplicated and each has its own management method. As a result, underground lines and overground poles have been erected erratically and therefore it is difficult to guarantee the quality of telecommunications. And if there is an accident, it is difficult to direct work unifiedly and serious consequences may result. Therefore it is urgently necessary to strengthen unified planning and management over the network of telecommunications.

CSO: 4006/425

ECONOMIC PLANNING

'JINGJI GUANLI' ON XIAMEN SPECIAL ECONOMIC ZONE

HK081207 Beijing JINGJI GUANLI in Chinese No 2, 5 Feb 83 pp 4-7

[Article by Xiang Nan [7309 0539], first secretary of the Fujian Provincial CPC Committee: "We Must Do a Good Job in Building Up Xiamen Special Economic Zone"]

[Text] The CPC Central Committee has decided that Fujian Province can exercise special policies and flexible measures in its economic contacts with foreign countries. It has also approved the building of a special economic zone in Xiamen Municipality to absorb foreign investments, produce export commodities and expand foreign trade. The Party Central Committee has required us not to adhere to open foreign policies, but also to hold firm to the socialist road. We must conscientiously implement this important strategic decision of the Party Central Committee and blaze a new trail for building up the special economic zone.

To accelerate the four modernizations, we must not carry out a closed-door policy and isolate ourselves. We must boldly absorb foreign funds, advanced foreign technical knowledge and scientific management experience, take in all their good things and change them into our own wealth for our economic construction. In this way, we can speed up our construction, narrow the gap, strengthen our ability to stand on our own feet and develop our national industry. Of course, we must absorb good and useful things and not detrimental, decadent capitalist things. If we do not utilize advanced science and technology which have emerged in the world, it will take more time to realize our four modernizations. But if we transplant things foreign without considering our own specific conditions, we will have no socialism. Economically, we carry out "special policies" in our special economic zone. Politically, we must adhere to the "four principles." We must have a sober understanding of this point.

In history, Xiamen was one of "five trading ports." It is a famous native place of overseas Chinese as well as a good port in China's southeastern coast. Xiamen is rich in its products. It enjoys excellent weather. Ocean shipping radiates in all directions. It is near to Hong Kong and Macao. It has close economic relations with southeastern countries. It is absolutely possible to enliven its economy, to speed up its construction, to enable

its people to get well-off and to make Xiamen, this island city, more beautiful and richer.

Doing a good job in building the Xiamen special economic zone requires material as well as spiritual conditions. These two are conditional on each other. Neither is dispensable.

Reviewing our past history, we know that we talked too much about spiritual conditions and exaggerated the role of subjective will and efforts. For example, in 1958, we put forward slogans such as "Production can be as high as our courage wishes it to be," "We will overtake Britain in 15 years," and "We will enter into communist society by running." We did not proceed from our actual conditions and did not do things according to our capability. We did our work blindly. This brought disastrous results to our work. When the "gang of four" was riding roughshod, they carried out the so-called criticism of the "Theory of relying on conditions" and the "Theory of the unique importance of the productive forces." In fact, they sank into the theory of the unique importance of will. As a result, they brought the national economy to the brink of collapse. All these were the manifestations of the "leftist" erroneous tendency.

It will not do to build a special economic zone without spiritual conditions, nor will it do to build it without the necessary material conditions. What necessary material conditions must we create? First, we must build seaports which can be used to berth 100,000 to 200,000-ton ships, and we must build railway feeder lines ahead of schedule. Some of these lines are already in use now. Second, we must build airports. We must build Gaoqi Airport into an international airport, and strive to complete and put it into operation in the first half of 1983. Third, we must build telecommunications, through which direct internal and external communications such as telephone calls and telegraphic contacts can be made. Fourth, we must speed up the construction of basic engineering in export commodities processing areas. Fifth, we must speed up the reorganization of the present enterprises. This reorganization should include the integration of enterprises and the full utilization of foreign investments, of joint venture enterprises and of the manner of supplying materials for processing. The purpose is to increase export commodities. At present, we should lay stress on tapping the potentials in this respect.

In order to smoothly absorb foreign investments and investments from overseas Chinese, it is necessary to further emancipate the mind, to grant more benefits, more reliable guarantees and more convenient conditions to investors than to other countries and regions. On the other hand, we have to be very careful because we have no experience. Otherwise, we will suffer great losses. In respect to the question of joint ventures, it is advisable to adopt the following three principles: 1. We should energetically and boldly import all the products or most of the products needed for exports. 2. We should carefully and appropriately handle the products half of which are for export and half for the home market. 3. We should resolutely not import products which affect the home market and hinder our industrial development.

Xiamen's industrial structure should be readjusted into a light structure. First, we should develop light industrial products which are mainly for export and by which we can obtain high foreign remittances. Second, we should produce a variety of "final products." One jin of peanuts may have a much higher price if it is made into peanut crisps and packed beautifully. If tourism and foreign shipping flourish, the food industry will have a larger market. Third, we should develop the building industry (including the building materials industry). The building industry is one of the three mainstays of industry in some countries. Xiamen will carry out large-scale construction. More houses and rooms will be built for overseas Chinese, local citizens and foreign visitors. Fourth, we should develop machinery and electrical products. In particular, we should produce more machinery and electrical products for export, household electrical appliances, ball bearings and loading machines. We should build more "smokeless" factories and nonpolluting factories. Fifth, we should develop service business and its relevant industry.

Service business covers a large range of economic branches. We should develop it according to the needs of our special economic zone, according to the needs for developing tourism and according to the needs of the urban people's livelihood. From now on, in commerce and service business, besides running well enterprises of the ownership by the whole people, stress must be laid on developing collective and individual economy and on bringing into play the initiative in carrying out a diversified economy to enable them to promote each other. We must loosen our grip on service business and let the people run it. It is certain that it will be better than the unitary "officially run business." In this way, we can provide jobs for a large number of young people who are waiting for employment. Under the powerful leadership of the socialist economy, it is not terrible to develop collective and individual commerce and service business. The people are in favor of this. In the past, we monopolized catering business, hair care business, sewing business and the running of public bathhouses and hotels, even soybean milk and dough sticks are monopolized by the government and managed by the state. In fact, the state has too much to manage. Why do we not attend to more important matters?

In the suburbs of Xiamen, the principle of taking grain as the key link cannot be applied. This principle must gradually be reformed, and necessary readjustment must be carried out in line with the conditions of the special economic zone so as to enable agriculture to serve cities, the special economic zone, tourism and export. We should use the principle of "differential land rent" to produce agricultural products which have a high economic value and which can create high foreign remittances. Some products can produce a value several times or dozens of times higher than grain can, for example, growing vegetables, melons and fruit; breeding milk cows and meat cows; and even growing flowers, keeping pet birds and gold fish and potted landscape gardening are ways for creating wealth.

The southern part of Fujian is a natural hothouse. Flowers and fruit grow all the year round. It is simply a gold belt on our planet. Fresh and seasonable vegetables, melons, fruit and flowers and trees can be transported

directly to large cities in our country and to Hong Kong and Macao. Profits are 10 times higher. I paid a visit to a supermarket in Hong Kong. Most of the vegetables were from America, Japan, Thailand and Taiwan. Very few were from the mainland. It takes only about 10 hours to ship vegetables from Xiamen to Hong Kong. Xiamen can use the method of purchasing grain at a negotiated price to help the peasants in the suburbs develop industrial crops and animal husbandry. Take cow breeding for example. This is a matter of great urgency. When foreign visitors come to Xiamen, they always have beef and milk for their meals. We must encourage commune members and individuals to breed milk cows and meat cows, breeding as many as possible. In fact, individual cow breeding cannot be divorced from the following "unifications": the unification of breed, the unification of epidemic prevention, the unification of milk sterilization, the unification of fodder supply and the basic unification of marketing. Individual households have no ability to realize the above unifications. Therefore, their production will be carried out under the socialist system and cannot be divorced from the state and the collective. Only by maintaining close contacts with business under the ownership by the whole people or with business under the collective system, can they carry forward their undertakings. So, what they do still consists of socialist economic factors.

A unified plan should be worked out as early as possible for the development of the whole special economic zone, and this plan should be carried out by stages.

When building the material civilization, we must never overlook the building of the socialist spiritual civilization. These two must be carried out in coordination with each other, but the latter should take precedence over the former. If we do not stress spiritual civilization, the building of the special economic zone will have no orientation, or we can even say that there is no need to build a special economic zone. We will build Xiamen into a beautiful and modernized new-type city with a high degree of socialist material and spiritual civilization.

On the one hand, we must develop Xiamen's culture, education and science and technology. On the other hand, we must regularly carry out communist ideological education among party members, league members, cadres and young people to enable them to hold firm to the socialist road and to foster their lofty ideals, morality and values in the course of carrying out of the open door policy.

Is educating the people with communist ideology in contradiction to the introduction of advanced technology of capitalist countries into our country? Of course, they are in contradiction to each other, but this contradiction can be solved. We must not be afraid of carrying out communist ideological education because we want to carry out an open foreign policy. Nor must we be afraid of capitalist "spiritual pollution" when we import advanced foreign technology. In handling this problem, cadres at all levels are required to have a correct understanding and sober minds and to adopt a dynamic and energetic attitude.

Building a special economic zone under the people's democratic dictatorship is a new lesson. We have no experience in this respect, but we must not wait for the decisions of the Party Central Committee. Special economic zones will not come into being by waiting. Here, our comrades are required to bring their initiative into play, to consider, in everything they do, where the speciality of special policies lies and where the flexibility of flexible measures is, and to consider how to blaze a new trail in the spirit of self-reliance so as to do a good job in building our special economic zone. There is something wrong with his mental status if he waits passively, talks about theory and does nothing, grumbles all day long that it is difficult to do this and that and refuses to do things which do not require money. Some people dare not get in touch with foreign merchants or overseas Chinese merchants due to the campaign of suppressing serious criminals in the economic field. This is quite mistaken. The carrying out of an open foreign policy and the campaign of suppressing economic criminals are not in contradiction to each other. We must unswervingly implement our open foreign policy and, at the same time, we must be resolute in suppressing economic criminals. We must further emancipate the mind, get rid of the shackles of the "leftist" tendency, eradicate all kinds of ideological obstacles, exert ourselves and break away from conventions. Only in this way can we go forward at a larger pace, can we really have something done and can we constantly advance. Since the building of a special economic zone is completely a new lesson, we must be prepared to make mistakes, and we must not be afraid of making mistakes. As long as it is not corruption or bribery or a criminal activity, leaders will be mainly responsible for the mistakes and problems in our work. What we have to do is sum up experience and lessons. There is no need to make a fuss.

We should admit that we are faced with many practical problems. There are also disputes over trifles. Some problems are really "longstanding" ones. Some are new problems we have never come across before. When suggesting a special economic zone, leading comrades of the Xiamen Municipal Party Committee demanded power and money, and pointed out that power was more important than money. This demand was reasonable. Whoever is qualified to hold power must fight for it on reasonable grounds. This is not scrambling for power and profit. This shows that he is responsible for the party and the people. Leading bodies at all levels and various departments should take the overall situation into account and support, from various aspects, the building of Xiamen special economic zone. Take city construction plans, for example. There is the question of decisionmaking power. When a construction project is carried out in Xiamen Prefecture, the final decision making power should rest with the municipal government, whether this project is controlled by whichever level and department, or whether it belongs to the central government, to the provincial government, to a PLA unit or to a fraternal prefecture. If not, everything will be in a mess and we will accomplish nothing. With regard to the division of power between the municipal party committee and the party committee of the special economic zone, leading comrades in Xiamen should study and put forward specific proposals.

We will build Xiamen not only into a foreign trade city, but also into a garden city, a tourist city, an international city and a civilized city.

A garden city means beautifying the environment by planting trees in and around it so that people can see gardens and trees everywhere. We will decorate the island and the streets more beautifully.

A tourist city means that there will be more things to enjoy and more scenic spots to visit. For example, we must adorn the streets in Gulangyu and arrange some places for sightseeing. I suggest building a tourist ferry by the side of Shuzhuang Garden to enable visitors to have a full view of Reguangyan the moment they disembark. We can also build a piano factory on this "piano island." This is a smokeless factory. Visitors can visit the factory, and a song can be played when they come. South Butuo, Xiamen University and the seaside bathing area need more installations to attract more visitors.

An international city means running foreign trade and tourism and carrying out cultural exchanges. It will not do without thousands of people understanding foreign languages. Should one worker in the special economic zone be accompanied by one interpreter? We must strive to train 10,000 people to understand English and Japanese within 3 to 5 years. We must also teach the masses knowledge of international relations. For example, we must deal with foreign friends as they deal with us. We must be neither haughty nor humble to them. We must stop having blind faith in foreign things. We must not give extravagant receptions with excessive consideration to foreign visitors.

A civilized city means making the street of the city, public places and tourist areas clean and tidy. We should require the people to pay attention to civility and courtesy in "small matters." We should encourage the people to "speak as much Putonghua as possible and to speak as little dialects as possible."

In order to suit the requirements of the special economic zone, readjustment should be carried out in our cultural and educational undertakings. We should place vocational education in a very important position. We should train foreign language personnel, guides and culinary personnel by running professional schools and training courses. We must start doing it now and speed up the work. These schools and courses can be run under the system of the ownership by the whole people, or under the collective system or individually. Fees may be charged in some schools and courses. After graduation, priority and employment should be given to those who have done well in their studies. We should also run professional and amateur local opera troupes, puppet troupes and Min tai singing and dancing troupes to serve tourism.

Scientific research is a kind of "intelligence investment," which must also serve the building of the special economic zone. Xiamen University, the Aquatic Products Institute and the Nanyang Research Department can make their own contributions directly or indirectly to the building of the special economic zone. Party and government leading bodies should bring into play the role of specialists and scholars. When deciding on the plans of the special economic zone and on major economic projects, we should ask the professors and specialists concerned to carry out theoretical justification, to study the feasibility of the plans and projects and to calculate the best

economic results. Submit your plans for approval only when the specialists concerned agree to do so.

How should we start with the Xiamen special economic zone? How should we speed up its construction? On the one hand, the cadres and masses of Xiamen Municipality should overcome difficulties with one heart and one soul and in a practical manner, make achievements, usher in a new situation and sum up experiences regularly. On the other hand, party committees at all levels throughout the province and various departments are required to support the building of the Xiamen special economic zone and to give "the green light" to it. As long as we pull together and make joint efforts, it is certain that we can do a good job in building Xiamen into a brand new special economic zone with Chinese characteristics.

CSO: 4006/425

ECONOMIC PLANNING

'JINGJI GUANLI' ON ANSHAN CITY AS ECONOMIC CENTER

HK111119 Beijing JINGJI GUANLI in Chinese No 2, 5 Feb 83 pp 37-39

[Article by Sun Hongzhi [1327 3163 1807]: "There Is Great Superiority in Putting Rural Areas Under the Leadership of Central Cities"]

[Text] At the fifth meeting of the Fifth NPC, Comrade Zhao Ziyang said in his report: "We must take cities whose economy is relatively well developed as centers, and rely on them to promote the development in neighboring rural areas. We must take this as the basis of our centralized organization of production and circulation. Thus, economic regions of various types and sizes, with cities as their backbone, will gradually be formed." The practice of Anshan City over the past few years has fully demonstrated the superiority of putting rural areas under the leadership of central cities.

Directly under Anshan City in Liaoning Province are two counties, Haicheng and Taian, and also a suburban district. Before 1968, Haicheng was under the South Liaoning Subprovincial Administrative Region. (It was later put under Yingkou City after the South Liaoning Subprovincial Administrative Region was abolished, and in 1973 it was put under Anshan City.) Before 1975, Taian was under the Panshan-Jinzhou Subprovincial Administrative Region. At that time, because of various reasons, the level of development of productive forces was very low in both counties. (In 1966, their total grain output was 730 million jin.) There was only a small number of diversified occupations and the people lived in great hardship. Since the 3d Plenary Session of the 11th CPC Central Committee, the economic situation of both counties has basically changed. The total value of agricultural output has grown at an average annual rate of 13.7 percent, which is over 100 percent higher than the national average annual rate of 5.04 percent. Over a 3-year period, grain output increased at a hefty average annual rate of 11.2 percent, reaching 1.75 billion jin in 1981, surpassing previous records. Despite the serious drought last year, grain output still reached 1.73 billion jin. Over the past 3 years, diversified occupations in the countryside have also greatly developed. The relative share of forestry, animal husbandry, sideline occupations and fishery in the total value of agricultural output increased from 31.6 percent in 1978 to 50 percent in 1982. Currently, these occupations are developing toward specialization, socialization and increased production of commodities. In 1981, the quantity of commodity grain sold by the two counties to the state was 740 million jin, and Haicheng was even one of the 8 counties in our country which

turned over more than 700 million jin of commodity grain to the state. In 1981 and 1982, the output of grain, vegetables and fruits in the Anshan area surpassed local needs. At present, in our country, four persons in the countryside on the average support one of those living in towns and cities. The Anshan area has a population of 2.51 million people, among whom 1.41 million live in towns. Thus, actually, 1 person in the countryside supports 1.7 of those living in towns. In March 1981, with the implementation of the notice issued by the CPC Central Committee and the State Council concerning the vigorous development of diversified occupations in the countryside, a large number of families became key households and specialized households, specializing in various occupations. More than 17,000 of these key households and specialized households took up pig or chicken raising. In Haicheng County, the commodity economy was relatively well developed and there are over 30,000 specialized households engaged in various occupations. The annual income of a specialized household generally exceeds 1,000 yuan, and in some cases even exceeds 16,000 yuan. In 1981, the total output value generated by the enterprises run by communes and production teams reached 330 million yuan. The profits amounted to 55 million yuan, the per capita income was 325 yuan, and the per capita savings were 75 yuan. Why has the rural economy of these two counties developed so rapidly? This result is mainly due to the implementation of the line, guiding principle and policies laid down since the 3d Plenary Session of the 11th CPC Central Committee, and is also attributable to the system whereby central cities exercise leadership over the countryside. At the same time, the development of the rural economy has also powerfully promoted the development of the urban economy and the improvement of the urban population's livelihood.

The practice over the past several years has markedly revealed the fact that putting rural areas under the leadership of central cities is vastly superior to putting them under the leadership of subprovincial administrative regions.

(1) Putting the countryside under the leadership of central cities is conducive to industry's support of agriculture and the cities' support of the countryside. In the past, Haicheng and Taian were under subprovincial administrative regions. Because the authorities in charge of these regions were agencies of the provincial authorities, they had no command over any economic or financial resources. It was difficult to rely on them to acquire the funds and material resources needed for building agriculture. Now when they are under the leadership of municipal authorities, in particular, when they are under the leadership of such a large city as Anshan which possesses relatively strong economic strength, they can obtain a great deal of assistance from the municipal authorities when they need financial or material resources for building agriculture, aside from getting these resources through the state's planning allocation. In particular, since the 3d Plenary Session, various parties have come to a more thorough understanding of the great significance of quickening agricultural development, and the above-mentioned problem has been more satisfactorily tackled. From 1979 to 1982, the investment in agriculture appropriated from city fiscal funds amounted to 29.75 million yuan, and various types of agricultural loans provided by these funds totaled 319 million yuan. Thus, many key problems in agricultural development were solved. In particular, the city party committee got the Anshan Iron and

Steel Company and some industrial enterprises in the city to provide an annual quantity of 15,000 to 20,000 tons of scrap or defective steel products and leftover bits and pieces, to replace a great deal of equipment, and to provide many tasks of processing spare parts, so as to vigorously support the development of enterprises run by communes and production teams. Up to the present time, the number of enterprises and factories run by rural communes and production teams under the city has grown to 2,407, and the number of workers employed by these enterprises has grown to more than 113,000, accounting for 20 percent of the total working population in the countryside. In the current year, the enterprises run by the communes and production teams of the region have generated a total income of 440 million yuan, an increase of over 100 percent compared with 1978; their profits totaled more than 55 million yuan, an increase of 74.2 percent over 1978; and the taxes they have paid to the state totaled over 20 million yuan. The flourishing of enterprises run by communes and production teams has added vitality to the rural economy and has effectively promoted the development of agricultural construction. At present, there are 12 industries in which we can find enterprises run by communes and production teams under the city. These industries include small-scale steel rolling, building materials, machining, the chemical industry, foodstuffs, spinning and weaving, paper making, mineral products and so on. The enterprises produce over 1,000 varieties of products. Thus, not only have rural resources been developed, but the single-product economic structure of the countryside has been done away with. In 1981, the total value of industrial output generated by communes and production teams under the city amounted to 40 percent of the total value of agricultural output. From 1979 to 1982, the profits of the enterprises run by communes and production teams under the city totaled 188 million yuan, of which 30 percent were used for expanded reproduction at the enterprises, 30 percent were distributed to the commune members, and 40 percent were used to develop agricultural production. Before Tainan was put under Anshan, the roads in the county were mostly dirt roads. Over the past few years, thanks to the vigorous assistance provided by the city, an asphalt road from Anshan to the county town has been built, and moreover, asphalt roads have also been built in all the 17 communes in the county. Every year, when there are natural disasters such as drought or waterlogging, the city will send several hundred vehicles and large quantities of materials for fighting the disaster to the afflicted area, so that problems can be promptly solved. Now the comrades of the county authorities say with deep feeling: "Over the past few years, the line, guiding principles and policies of the CPC Central Committee have definitely constituted the most basic political condition for guaranteeing agricultural development, while the vigorous assistance provided by the city to the countryside constitutes a firm and strong material basis for agricultural development."

(2) Putting the countryside under the leadership of central cities facilitates the exchange of goods and materials between the cities and the countryside, and enhances the flourishing of the two major markets: the urban market and the rural market. The cities and the countryside, like industry and agriculture, are two inseparable living constituent parts of the entire national economy, and are two very closely related parts of an entity. The cities and the countryside cannot be divorced. In economic development, each of them serves as a market for the other. Actually, central cities play a leading role. In

the past, when the two counties were under subprovincial administrative regions, this superiority could not be developed in an organized and planned way. Now that they are put under the city, there can be unified planning for the city market and the rural market. The two counties of Waicheng and Liaian and the suburban district have now become a base in the area under the city, producing commodity grain and nonstaple food. They supply large quantities of grain, meat, eggs, vegetables, fruits and other agricultural and sideline products to the city. In 1981, the municipal authorities purchased 750 million jin of commodity grain from the whole area, so that the quantity of grain produced in the area and made available to the urban population in the area more than satisfied the urban population's demand, and on average 1 person in the countryside could supply 1.27 persons living in towns with all the commodity grain they needed. Never before has a city such as Anshan which is specialized in heavy industry achieved this kind of self-sufficiency in grain. Over the past 2 years, the area has also been more than self-sufficient in vegetables and fruits, while the supply of locally-produced pork is now able to satisfy nearly 80 percent of the local demand. At present, the value of agricultural and sideline products purchased annually from the countryside is around 200 million yuan. In the city, there are several large market places for trading in agricultural products, and the annual value of the transactions conducted in them is over 50 million yuan. The city has great potential in serving as a market in agricultural and sideline products. This situation powerfully promotes the hefty growth in the number of key households and specialized households in the countryside. Similarly, the countryside is also an extensive market in which the sale of industrial products can be promoted. With the development of the rural economy and the improvement in the peasants' livelihood, the peasants' purchasing power has markedly grown. In 1981 the realized purchasing power of the rural commune members amounted to over 240 million yuan spent on social commodities, an increase of 63.7 percent compared with 1979. In the past, the growth in the value of social commodities retailed was bigger in the city than in the countryside. Now this situation has changed. In particular, the sale of means of agricultural production increased even more, by 8.9 percent in 1981 compared with 1978, and by 24 percent in the first 10 months of 1982 compared with the same period in the previous year. Because the countryside's purchasing power is increasing, the sale of the city's industrial products in the countryside has grown further. The industrial and commercial enterprises of the city often send people to the countryside to attend country trade fairs, and many industrial enterprises have set up retail outlets in the countryside. Many manufactured daily articles are overstocked if they are sold in the city alone. But when they are sold in the countryside, they are quickly sold out. In 1981, the sale of the city's industrial products to the countryside amounted to over 100 million yuan, an increase of 21 percent over 1978. Thus, not only has the rural economy been enlivened, but the enlivening of industry and commerce in the city has also been promoted.

(3) Putting the countryside under the leadership of central cities helps promote the development of scientific and cultural undertakings in the countryside. At present, the standard of science and cultural development is much higher in the city than in the countryside. With the city exercising leadership over the countryside, the city can serve as a base for developing

science and culture in the countryside. Not only are there large numbers of scientific and technological personnel in the city, but many workers of the Anshan Iron and Steel Company and other industrial enterprises in the city live with their families in Haicheng and Taian, so that there is a natural link between the city and the countryside. During the past few years alone, in the rural area of Haicheng, more than 500 retired scientific and technological personnel have been employed by the enterprises run by communes and production teams. They have played an important role in raising the technological standard of these enterprises. In developing the rural economy, to raise scientific and technological standards is an urgent task. Over the past few years, the city party committee and the city government have consistently attached great importance to scientific research and the popularization of scientific knowledge in the countryside. From 1979 to 1982, over the whole area under the city authorities, 219 items were formally included in the list of key scientific research items related to agriculture, and they involved an investment of 1.16 million yuan in scientific research. Some 44 cases of success in scientific research have been achieved, for example, the breeding of new improved varieties, protection of seedlings with double sheeting near the ground, testing the soil before application of fertilizers, using bacterial manure for seed dressing, reforming the cultivation system and so on. These fruits of scientific research have produced marked results in agricultural production. In both Haicheng and Taian, seed companies have been established, and a system of breeding of improved varieties of crops has been formed. In 1982, over the entire area, 86 percent of the corn fields were used to grow improved varieties, and the proportions of the relevant types of farmland for growing improved varieties of kaoliang and soybean were respectively 68 percent and 84 percent. Gratifying results have also been achieved in growing peanuts by the method of covering seedlings with double sheeting near the ground. In the past, in the Anshan region, the peanut yield was less than 200 jin per mu. In 1980, the city scientific research department conducted experimentation in the countryside concerning covering seedlings with double sheeting, and achieved success within 1 year. In 1981, the area of farmland subjected to this method was increased by 3,833 mu, and the average yield of peanuts was 365 jin per mu. In 1982, the area of farmland subjected to this method was increased to over 10,000 mu, and the average yield rose to 450 jin per mu. In 1982, the Luojia Brigade of Datun Commune in Haicheng County applied this method to 136 mu of farmland for growing peanuts, and achieved an average yield of 700 jin per mu. Some production teams in this brigade achieved a yield of over 1,000 jin per mu. To popularize scientific knowledge in the countryside, since 1979, the city Scientific Research Association has organized 102 courses in various specialities, and thus trained more than 11,000 students; and it has also presented more than 9,000 academic reports and lectures for popularization of science, attended by a total of more than 38,000. In cultural construction, the city has also done a great deal of work to help the countryside. Over the past few years, it has helped to establish cultural centers for the 31 rural communes and cultural rooms for the 681 brigades. At present, cultural centers run by communes and cultural rooms operated by brigades have increased by 180 percent and 200 percent respectively compared with 1978. The cultural rooms of the communes, brigades and production teams keep a total of 200,000 books. The city has also helped the countryside to set up 45 cinemas and organize 630 film projection teams. Over 70 percent of the brigades now offer movie shows. A

movie network has been formed, which embraces three levels: the county, the commune and the brigade. Over the past 4 years, the city movie company has released over 300 movies to the countryside. At present, cultural life in the countryside gets increasingly more active, is varied in form and rich in content, and is markedly upgrading people's spiritual attainment. In particular, some seats of communes are developing into small towns. They have cinemas, cultural centers, broadcasting stations and clinics. People come and go in endless streams when they go to work in the morning, when they go home after work in the evening, and when they go to take part in cultural activities. The scene is somewhat like that of a town.

(4) Putting the countryside under the leadership of central cities is conducive to strengthening overall leadership over rural work. According to comrades of the county authorities, in the past when the countryside was under the leadership of subprovincial administrative regions, the main tasks of the regions were to grasp political movements and to urge people to do farming work in production. Now the focus of the whole party's work has been shifted to socialist modernization. Socialized production is developing and the production and circulation of commodities are being extended. Consequently, the system whereby subprovincial administrative regions exercise leadership over the countryside has become incompatible with the situation. Therefore, it is of striking importance to fully develop the role of central cities and industrial bases in exercising leadership over the countryside. Central cities have a relatively large number of industrial and commercial enterprises, scientific, educational and cultural institutions, and so on. They possess greater strength. Therefore, they have many advantages in providing assistance and guidance in various categories of rural work. They play a very important role in developing production, enlivening circulation and promoting the prosperity of the vast countryside with its market towns. Various enterprises and institutions in Anshan City have very close relationships with their counterparts in the counties. Many units have direct economic contact. For example, the Dongfangshen Canned Fruits Factory is jointly run by the county and the city. In building modern agriculture and in getting the countryside to take the path of integrating agriculture, industry and commerce into an entity, there are wide prospects of developing the role of central cities and heavy industrial bases such as Anshan, which serve as hubs of economic activity, and which should promote the economic development of both urban and rural areas.

Concerning the system of leadership over the countryside, the cities differ from subprovincial administrative regions. The latter can concentrate all their efforts on grasping rural work. City party committees cannot devote all their efforts to grasping agriculture because they must perform many tasks in city work and industrial construction. Under these conditions, attention must be paid to several questions. (1) Rural work must consistently be included as an important part of the daily agenda and must be grasped as an important task. In particular, large industrial cities must pay greater attention to this point. In the first place, our guiding ideology must clearly affirm that the cities and the countryside depend on each other and promote the development of each other, and that they are two closely related and inseparable constituent parts of the national economy, forming a unified

entity. Thus, the cities' consciousness about exercising leadership over the countryside can be enhanced. The conception that the cities should be separated from the countryside, that economic links between the cities and the countryside should be artificially severed, and that municipal work should be performed in isolation, must be done away with. Second, in planning for work, regular discussion of rural work must be adhered to. Equal importance must be attached to rural and municipal work. Over the past few years, the Anshan City CPC Committee and city government have consistently paid great attention to rural work and the development of agricultural production. The principal leading comrades of the city party committee and the cadres of government organs have frequently gone to the countryside and have frequently studied new questions about rural construction. (2) Organizationally, there must be practical measures to guarantee the grasping of rural work. If the central cities are to exercise more effective leadership over the countryside, not only must the principal leading comrades of city party committees personally take part in grasping agriculture, but among the leading members of city party committees and city governments, there must be people specialized in looking after agriculture. Moreover, in the cities, a number of rural work agencies should be set up, such as an office of agriculture under the city government, with bureaus under the office which are in charge of farming, forestry, animal husbandry, irrigation, agricultural machinery and so on. (3) All industries, trades and professions must be mobilized to support agriculture. Not only must industry and commerce understand the rural market and vigorously support agriculture, but other sectors such as science and technology, education, cultural services, medical and health services and so on should also conscientiously do a good job of the rural work that they should undertake. Thus, the forces of all quarters in the cities can be coordinated to give joint support and impetus to the launching of rural work.

INDUSTRY

UNDERGROUND STREET UNDER CONSTRUCTION IN WUHAN

Shanghai WEN HUI BAO in Chinese 26 Jan 83 p 2

/Article by Ji Dong /1323 0392/: "An Underground Street in Wuhan Under Construction"/

/Text/ The two mountains of Guishan and Sheshan in Wuhan, as noted by all, magnificently span the north and south of the Chang Jiang. The beautiful scenery has attracted countless tourists who linger about and are overwhelmed the by beauty.

Sheshan which crosses through the city limits of Wuchang has many trees and provides a lot of shade. The wild flowers are fragrant. But after entering a tunnel at the foot of the mountain, a long underground street emerges.

Not long ago, this writer joined assistant manager and engineer of the construction company in charge of building the underground street, Gao Shicui /7559 1102 4733/, entered the street from Sheshan's Jindong-Xiaodongmen and toured this underground street being constructed. After walking only several dozen meters, we entered a wide hall. The hall was well decorated, the air was also fresh, and the environment made people feel comfortable and calm.

After remaining in the hall for a few moments, we walked westward. Mr Gao said: "Now, we shall enter the main underground street." As he made the remark, he opened a door to a room which was a beautifully decorated conference room. The floor was polished cement. The walls of the tunnel were inlaid with marble. When the wall lamps and the chandeliers were lit, the entire room came alive. In front hung an entire construction plan. Mr Gao explained:

The underground street has a total length of 1,966 meters. The total area is 45,687 square meters. The tunnel of the main street is 4.4 meters wide and 4.5 meters high. The main street has four entrances and exits for pedestrians and automobiles. To separate traffic, there is a passing lane of 30 meters long about every 150 meters.

The underground street follows along Sheshan from west to east. Six zones have been preliminarily planned: The first and second zones are right next to the center of Wuchang City. They are the commercial zones which extend about 1,000 meters and cover 21,000 square meters. They will be occupied

mainly by stores selling general merchandise, textiles, supplementary food-stuff, and fruits. In these zones, there are four relatively large structures: two high class department stores, one with a movie theater with 1,000 seats and another with a roller /2487/ skating rink. The third zone is the science and technology center covering an area of 8,800 square meters. It is mainly used to hold science popularization exhibitions and educational activities to popularize science. The fourth zone is the command zone. During war time, it is the civil defense command center. In peace time, it is the command center for daily affairs of the street. The fifth and sixth zones are not far from the Wuchang Railroad Station and will be an underground hotel.

"What is the current progress of construction?" I asked.

"Only 20 meters of the main street remain to be tunneled through. The three-dimensional civil engineering construction for the first and fifth zones have been basically completed (including rooms, main tunnel, side tunnels). Soon, interior decoration can begin. The sixth zone has already been opened for business." We walked and looked. Truly, the rooms and shops on both sides were arranged neatly. The ground was also very dry. Mr Gao told us: Because mechanical and natural ventilation have been combined, the problem of dampness does not exist. "As to temperature, this is a good place to live because it is not cold and not hot. The temperature throughout the year remains between 18° and 22°, and it is warm in the winter and cool in summer."

"After the entire street has been completed, what will the volume of foot traffic be? How are the problems of electricity and water to be solved?" We asked.

"The simultaneous /2-way/ pedestrian traffic can reach 3,000 people, daily pedestrian traffic will be about 30,000. Water and electricity are being supplied by the city at present. We have made surveys and have found underground water sources. We are prepared to generate our own electricity so that we will be self-sufficient in water and electricity."

After visiting the underground street and listening to the explanations by the engineers, we are happy to see that Wuhan will again add a place for commerce, entertainment and rest.



Wide hall of the underground street

9296

CSO: 4013/149

DOMESTIC TRADE

NATIONAL PRICING POLICIES EXPLAINED

Shaanxi ZHONGGUO SHEHUIZHUYI WUJIA XUE [THE STUDY OF CHINA'S SOCIALIST PRICES] in Chinese 1982, pp 175-188

[Article by Compilation Group for "Study of China's Socialist Prices," "The Study of China's Socialist Prices"]

[Text] Chapter 9. Domestic Market Price of Import and Export Goods

Inasmuch as economic, technical, and natural conditions differ from one country to another, international exchange whereby some goods are exported in exchange for goods required domestically is an inevitable trend. This is a result of the development of social productivity. Particularly today when science and technology changes with each passing day, no country is able to produce everything that it needs; every country requires foreign trade, and socialist countries are no exception.

In order to hasten the advent of the four modernizations, even while persisting in independence, maintaining the initiative in our own hands, and self-reliance, we must selectively bring into China from abroad the advanced technology and related materials that are urgently needed. In addition, in order to increase our ability to make repayment, it is necessary to actively expand exports of goods advantageous to China. A source of supply of goods for export must be organized within the country, and imported goods must also be supplied to pertinent enterprises for their consumption. A corresponding domestic market price for exports must be set up in a rational way.

Section 1. Characteristics of Domestic Market Prices For Imports and Exports

Imports and exports have to go through domestic and international markets that differ in character. China's domestic markets are centralized socialist market, while the international market is not centralized and is a capitalist market of individual countries and regions. Prices in the two markets also differ in principle.

(1) Looked at on the basis of price formation.

Domestic market prices are formed on the basis of the social labor that has to be consumed in order to produce the goods in China. In international markets, the cost of a good is determined by the amount of labor that has to be consumed by all countries producing the good that are involved in its exchange. Marx noted that "in different countries the median intensity of labor also differs; in some countries it is a little high, and in some a little low. Hence, the average figures for each country forms a ladder whose unit of measurement is the world labor average unit. Consequently, countries with a comparatively large intensity of labor can produce greater value in the same amount of time than countries with a comparatively small intensity of labor, and this is demonstrated, in turn, in a larger amount of currency."¹ Therefore, the international market price is the "world labor average unit," i.e., it is based on international value.

(2) Looked at on in Terms of Price System

A country's price system is determined by factors such as the level of development of the country's productivity, production relationships, resources, and historic characteristics. Consequently, the price systems of individual countries engaged in international trade differ greatly. For example, looked at in terms of comparative prices for industrial and agricultural goods, prices for China's agricultural products are relatively low, while prices for industrial goods are relatively high; in capitalist countries, the reverse is true. Looked at in terms of comparative prices of certain agricultural products, the price of Chinese pork is generally higher than the price of beef; conversely, in numerous capitalist countries, the price of beef is generally higher than the price of pork. Looked at in terms of comparative prices of industrial goods, the price of China's industrial raw materials, fuels, and particularly mine products are low, while prices of finished goods are high. In many industrially advanced countries, the reverse is true.

(3) Looked at in terms of how price is formed.

Chinese domestic market prices are largely planned prices, and retail prices for major goods within the country remain substantially stable without rising and falling. Conversely, in the international market, prices are in a competitive and anarchic state. As supply and demand change, prices are automatically set on the basis of steady fluctuations in international value.

All this shows that China's domestic market prices and prices in international markets differ in principle. Therefore, in the import and export trades, China adheres to the principle of internal and external differences, setting prices separately. This both prevents fluctuations in international

1. Collected Work of Marx and Engels, Renmin Chubanshe 1972, Vol 23, p 614.

market prices having a direct impact on domestic production and the stability of prices, and makes it possible for export goods in international trade to adapt to changes in world market conditions, in order to develop foreign economic dealings.

However, we cannot entirely sever the link between international market prices and domestic market prices. Changes in international market prices can have a direct or indirect effect on domestic market prices. In a situation in which a definite link is maintained between domestic prices and international market prices for imports and exports, it is necessary to arrange in a sensible way a settlement price to be used within China for foreign exchange derived from trade. The so-called settlement price to be used within China for foreign exchange derived from trade means the price that importing and exporting units will use in figuring profits and losses from importing and selling. At the present time, this means the amount of RENMINBI that can be derived per dollar in the foreign trade process by enterprises that the state has permitted to engage in imports and exports. The former single foreign exchange price system that we used in trade and non-trade alike had definite drawbacks. For example, in 1979, every \$1 worth of goods exported brought in an average of about 2.4 yuan of RENMINBI, but, at prevailing bank list prices for foreign exchange, exporting units were able to get only about 1.5yuan RENMINBI per dollar of foreign exchange received. Thus for every dollar's worth of goods exported, the exporting unit lost about 0.90 yuan in RENMINBI, resulting in an irrational system in which more was exported, the greater were the losses; conversely, importation of goods brought profits. Obviously such a system did not fit in with the national policy of rewarding exports and placing appropriate limitations on imports. Consequently, it was necessary to separate the internal settlement price for foreign exchange earned in foreign trade from the list price for foreign exchange. In order to provide for a decent profit over and above the average cost of earning foreign exchange from national exports of goods, an internal settlement price for foreign exchange derived from foreign trade was set. Such a method helped stir the enthusiasm of everyone to expand exports, and helped in the implementation of the policy of rewarding exports and limiting imports.

Section 2. Procurement Price for Export Goods

1. Significance of the Setting of an Equitable Procurement Price for Export Goods

The key to large scale development of foreign trade lies in efforts to develop production of goods suitable for export, i.e., goods of high quality, and of many designs, colors, and varieties that are nicely packaged, that are available for sale in large quantities, that have a high foreign exchange earning rate, and that are fully competitive in international markets. Active expansion of the exports of such goods can bring in more foreign exchange, thereby providing the necessary economic conditions for importation of the advanced technology and the goods needed for production and for daily life needed for building the four modernizations.

By procurement price of export goods is meant the price that foreign trade enterprises (or domestic trade enterprises) pay internal agricultural production units or producers for the export goods they buy from them. The setting of an equitable purchase price for export goods helps development of the production of export goods, increase in new products, new varieties, and new colors and designs, as well as steady improvements in packaging to improve competitiveness. It helps give impetus to enterprise strengthening of economic accounting, to improvement in administration, and management, and to being concerned with results of operations. Additionally, the procurement price paid for export goods also affects the price of goods in the domestic market, and the proportion of sources of supply of goods for domestic and foreign sales. Consequently, it is necessary to formulate in a centralized and planned way both a domestic procurement price for export goods and a procurement price for goods sold domestically. The practice whereby individual lines of business engaged in domestic and foreign trade do as they please, each taking whatever it needs and arbitrarily raising or lowering prices is to be opposed.

2. Ways of Setting Internal Procurement Prices Paid for Export Goods

By using procurement prices paid for goods sold domestically as a basis, paying the same price for the same quality, and arriving at a price on the basis of quality, the ways in which internal procurement prices are formulated for export goods are as follows.

(1) For industrial goods of equal quality that are procured and sold domestically, both the internal sale price and the foreign trade price are set on the basis of the ex-factory price. In the procurement of agricultural sideline products too, the internal sale price and the foreign trade sale price are both set on the basis of the procurement price.

The foregoing principle is not absolute. In order to help foreign trade departments operations and make exports profitable, prices paid for procurement of goods for domestic trade may remain constant, only prices paid for goods to be exported being changed, a certain price gap between the two resulting. If industrial profits are substantial and the procurement price for items sold internally tends to be high while foreign trade departments incur losses on sales of the same items, following approval of departments concerned, the price may be set at less than the prevailing ex-factory price to serve as an ex-factory export price.

In cases in which little profit, no profit, or losses are realized on the domestic sales of certain industrial goods, if the domestic sale price cannot be raised for the time being, following approval, the price of goods supplied for export may be set higher than the prevailing ex-factory price, or else foreign trade departments can provide necessary price subsidies to producing enterprises.

Where the domestic tax rate for a good is high, its export occasioning losses as a result, subject to approval from the appropriate department, taxes may be reduced or exempted in order to support exports.

(2) Specifications, quality, and packaging requirements for goods supplied for export.

If standards are higher than for goods sold domestically, prices should be raised. How much they should be raised will depend on the increase in costs, taxes, and a suitable profit. Conversely, if standards are lower than for goods sold domestically, the price may be correspondingly lower.

In cases where export goods must be produced in small lots and in complex varieties, designs, and colors, require fairly high technical standards, and must be delivered within a limit period of time to the impairment of an enterprise's normal profits, the ex-factory price of export goods may be raised, or else foreign trade departments should provide production enterprises a needed price subsidy.

(3) The procurement price paid for industrial goods produced solely for export should be based on the costs of normal production plus taxes to be paid and a decent profit. It may also be linked to the international market price, or set after consideration has been given to the effect of all pertinent factors.

For arts and crafts items requiring a fairly high level of technical skill, production profits may be higher than for most goods. The price of new goods should be set in accordance with pertinent fixed price principles through discussions between the industrial enterprise producing them and foreign trade departments.

(4) Procurement prices paid for agricultural sideline products by export good bases.

In order to expand exports, there should be planned establishment of export agricultural sideline product bases. Currently, such bases are of three kinds as follows: One is export bases for the supply to Hong Kong, Macao, and Japan of fresh and live products such as live hogs, vegetables, beef cattle, pond fish, and fresh milk. The second is export bases for exports of traditional agricultural sideline products such as citronella oil, rosin, cassia bark, mulberry silkworm cocoons, walnuts, Chinese chestnuts, and tea. The third is commodity bases for the export of famous and valuable native products such as mink, eel fry, Chinese mushrooms, and famous medicinal herbs.

Procurement prices that export bases pay for agricultural sideline products should continue to be based on the domestic procurement price, the principle of pricing according to quality, superior price for superior quality being followed. Production should be done normally with no operating problems so that production bases will not only be able to recover costs, but to make a fair profit as well. Profits on famous and valuable native products may be higher than for run of the mill goods. Fair

regional price differences, quality price difference, and seasonal price differences should be maintained for the products of various kinds of production bases in different regions. Prices for agricultural sideline products that may be exported directly by bases holding foreign trade permits may be set by producing enterprises themselves, who are also to bear responsibility for their own profits and losses.

(ii) Setting of prices on industrial goods when imports are to be used to sustain exports.

Use of imports to sustain exports means the importation of raw materials for processing into finished goods for export or, alternatively, the importation of main parts and accessories for assembly into final products for export. In recent years, in order to increase exports, China has done more foreign trade in which imports were used to sustain exports. The domestic ex-factory price of industrial goods that are a part of the imported raw materials and set after figuring up production costs. Industrial profits from this category of products should be set in accordance with the rate of profit within China for the same category of industrial goods. If supplies of imported raw materials are insufficient and some Chinese produced raw materials must be used, adding to the enterprise's costs, departments concerned must provide a subsidy.

Third Section. Setting the Price of Imported Goods

Imported goods are materials needed for realization of the four modernizations and to satisfy the needs of the country's people in daily life. They include the technical equipment and raw materials needed for industrial and agricultural production, plus the means of consumption required in the daily life of the people. In the importation of goods and the introduction of technology, reason, economy, and profit must be taken into consideration; not just anything and everything may be imported or introduced. The basic premise must be service to the country's politics and economy, importing the goods and techniques that China lacks or that China cannot profitably produce.

Imported goods are imported at the international market price. By international market price is usually meant the representative price at which any given commodity is traded in international markets, and its pricing system differs from the domestic price system. International market price changes as supply and demand change. Were the domestic pricing departments to set prices for imported goods on the bases of a landed price plus a fixed rate, their prices would fluctuate frequently, and that would be bad for domestic production and consumption. On the other hand, if the price at which imported goods were ordered was fairly low, in the absence of controls the goods would be imported recklessly with damage to domestic production. In order to assure price stability in the domestic market and prevent fluctuation in the international market price that would hurt domestic production and markets, the overall principle in setting domestic prices for imported goods should be to use the price for similar domestically produced goods as a basis and set prices in accordance with comparable quality.

The prevailing method of setting prices for imports is as follows:

(1) In all cases where China produces a good of the same kinds as the one imported, the price set for the Chinese one of the same kind is to apply.

Where there is a unified national ex-factory price for an industrial good, the price is to be set at the unified national ex-factory price. Where there is a unified national price set for individual mines or individual areas, calculations are to be based on the average weighted unified national ex-factory price set for individual mines or individual areas. Where there is no unified national ex-factory price, but where the major importing port has a wholesale commercial list price, calculation is to be done on the basis of the major importing port wholesale commercial list price or supply price. If it happens that China does not produce a similar good, but imports it year after year, so that an import allocated price for the good has been set, it should be priced at the import allocated price.

Where a national unified supply price has been set for agricultural products, the price should be figured on the basis of the nationally set unified supply price. Where no national unified supply price exists, but where the major importing port has a commercial wholesale list price, price should be figured on the basis of the commercial wholesale list price at the main importing port.

Based on the national import plan prices for those types of goods which are imported with central foreign exchange by foreign trade departments based on the above prices and distributed departments which ordered the goods or to units using them; profits and losses will be born by foreign trade departments.

(2) When specifications and quality of an imported good differ from specifications and quality of a domestically produced good, the specifications and quality of the imported good should be taken into account and the principle applied of setting price according to quality to set a price that is higher or lower than for the domestically produced product.

(3) Goods that are in the nature of complete plants, as well as complete electro-mechanical devices imported from abroad for which central government foreign exchange is used, as well as imported goods that cannot be fitted into the foregoing ways of setting prices and goods the domestic production of which is not yet regular and for which only provisional prices exist, foreign trade departments should handle only as agents, the departments that ordered them or that use them being responsible for profits and losses. This means that foreign trade departments will use the landed price as the internal settlement price for foreign exchange derived from trade to which they will add a 1.5 percent agent's handling fee. Thus, if the price is clearly lower than the domestic price to the impairment of domestic production, an allocation price on the basis of domestic price level can be arrived at in discussions between foreign trade departments and the department that placed the order.

4.) For electro-mechanical devices imported from Korea, Romania, Poland, Hungary, Czechoslovakia, East Germany, Bulgaria, Mongolia, and the USSR, foreign trade departments are to set a higher price on the basis of the landed price (using the published foreign exchange list prices for foreign goods to make conversion). If the landed price is somewhat high, subject to concurrence of foreign trade departments and the department that ordered the goods, the price may be raised less or not at all. For some kinds of goods for which there is a gap between domestic and foreign prices, an import allocation price may be arrived at on the basis of the domestic price through discussion by the foreign trade department and the ordering department. Separate calculations will have to be made on the basis of regulations of customs duties, industrial and commercial unified taxes, and pertinent domestic fees for imported goods.

Section 4. Setting Allocation Prices For Domestic and Foreign Trade Businesses

1. Domestic and Foreign Trade are Mutually Supporting and Mutually Promoting.

Domestic business and foreign trade are mutually supporting and mutually promoting. Development of foreign trade helps development of domestic industrial and agricultural production and enlivens domestic markets. The flourishing of domestic markets is, in turn, an important condition, for further enlivening the exchange of goods internally and externally. One might say that the export trade is an extension of commodity flow within the country, and that the import trade is a necessary supplement to the flow of commodities within the country.

At the present time, China's levels of productivity are relatively low, and development of production is far from being able to satisfy the ever increasing needs of the people's livelihood. This does not militate against the export of some goods because the export of goods in return for the import of materials to regulate domestic market supplies likewise satisfies needs. The point of departure for both foreign trade and domestic business is identical. However, in production planning, in distribution of sources of supply, and in procurement and sale prices for internally marketed goods and goods sold for export, there is some conflict between foreign trade departments and domestic trade departments. Therefore, unified planning that takes everything into consideration must be done for domestic and foreign trade. Proper planning that takes account of both the present interests of the people and the long range interests of the country must be done, so that more different products may be exported to develop foreign economic relations.

2. Pricing Methods for the Allocation of Commodities Between Domestic and Foreign Trade.

When foreign trade departments and domestic business departments discuss pricing, they should proceed from the country's overall interests, proceed from the needs of building the four modernizations, and carry into effect the principle of mutual aid for mutual benefit.

(1) Prices for the supply of export goods should be based on the prices and quality of goods sold domestically, pricing being done on the basis of quality.

Industrial goods provided directly by industrial enterprises should be priced at the ex-factory. Farm products provided for export to foreign trade enterprises by domestic business enterprises should be priced in accordance with allocation prices internal to the local goods supply department system, i.e., in accordance with the local procurement price (or the price of goods brought in from elsewhere), plus various fees for their movement, and profit. Where there is no allocation price, pricing should be done in terms of the supply price.

(2) When foreign trade enterprises turn over imported goods to domestic business enterprises, they should deduct a differential on the basis of the actual wholesale price charged at the port for the whole year, so as to arrive at the internal trade price at which the goods are to be turned over. The deducted differential is set as being: heavy industry products greater than light industry products and foodstuffs.

Foreign trade allocations to domestic business enterprises fall in the category of imported materials to be centrally allocated by the central government (i.e., central allocations department controlled materials). If a domestic business enterprise supplies such goods to user units at a price set in accordance with national unified allocation prices, foreign trade enterprises will fix prices for allocation in accordance with state allocation prices (including planning commission, department, and bureau fixed prices). If domestic business enterprises supply such goods to a user unit at a price set in accordance with national unified allocation prices, foreign trade enterprises will fix prices for allocation in accordance with state allocation prices (including planning commission, department, and bureau fixed prices). If goods are supplied to user units at wholesale prices, foreign trade enterprises may deduct a specific differential from the actual wholesale price charged at the port for the year to set a price. If domestic trade departments supply the same good at both an allocation price and a wholesale price, the foreign trade allocation price will always be set at the state allocation price.

When foreign trade departments act as agents for imports, all departments placing orders must include profits and losses on the imported goods in the financial accountings they submit through channels.

(3) Goods, sub-standard goods, and seconds not exported that foreign trade enterprises have turned over to internal trading enterprises for domestic sales are to be priced at the ex-factory price for similar industrial goods sold in the domestic market, or priced in terms of the allocation price for farm products, equal price for equal quality, price decided on the basis of quality.

Goods that require processing and change or handling at reduced prices are to have their allocation price set through discussion by both parties on the basis of the principle of being able to sell them at the least possible loss to the state. Any losses incurred after transfer for sale domestically of sub-standard and inferior goods that do not meet export requirements, or from goods intended for export transferred for sale within the country are to be the responsibility of industrial departments or foreign trade departments. The proportion of output of goods of standard quality, sub-standard quality, and seconds agreed upon by foreign trade departments and industrial departments, as well as the proportion of goods that meets specification that has been overproduced will be the responsibility of foreign trade departments. Portions outside the proportions agreed upon by both parties will be the responsibility of industrial departments.

(4) Goods confiscated by Customs and turned over to commercial departments for pricing and purchase regardless of whether they are Chinese or foreign, are to be priced at market retail prices minus a certain differential.

Section 5. Prices for Other Foreign Nationals

Pricing of imported goods carried by overseas Chinese includes both procurement prices and market prices.

The various party and state policies toward overseas Chinese are to be conscientiously put into effect in setting prices for the purchase of imported goods carried by overseas Chinese. In formulating procurement and market prices, a program of independence, sovereignty, and self-reliance must be put into effect. Procurement prices must be based on both the principle of what benefits realization of the state's overseas Chinese remittance plans and proper care for goods that overseas Chinese remittance plans, and proper care for goods that overseas Chinese import, while limiting these goods as necessary. Purchase prices must be formulated on the principle of "both benefit for the production and sale of Chinese-produced goods, and ability to sell goods brought in.

Ways of formulating procurement prices for imports brought in by overseas Chinese. For products coming from bourgeois countries, the retail price in the Hong Kong market with no addition of transportation fees is to be used as the landed price. (For Chinese medicinal herbs, the price is to be the Hong Kong market wholesale price). Produces coming from eastern Europe, the USSR, Korea, Vietnam, and Mongolia are to have their landing price set at the retail price (or the wholesale price) for the products in the Capital of the country from which the products come, with no transportation fees added. Formulation of procurement prices is to be done on the basis of the extent to which the products are produced in China and the market need. In principle, division into three categories is to be done as follows:

(1) The first category includes things not produced in China, or products that are produced in China but are of a quality that does not satisfy requirements and that are urgently needed in production or research. Pricing should be done at the landed price plus a profit of 10 to 30 percent.

(2) The second category is goods which, though produced in China, are in short supply and for which the need is fairly great in production and research departments. Price is to be fixed at the landed price plus a profit of less than 10 percent.

(3) The third category is ordinary means of production and means of livelihood, the price of which is to be fixed at the landed price or less than the landed price.

When the procurement price fixed for certain goods using the aforesaid methods is higher than the domestic market price and the retail price for goods of equal quality, and the goods are Category I or Category II goods, the procurement unit may set the price at the local market retail price. Category III goods may be priced for procurement at the wholesale price.

Procurement prices set according to the foregoing methods do not include taxes. If sellers have already paid customs duties and industrial and commercial taxes, their tax money should be refunded.

Ways of formulating sale prices for imported goods carried by overseas Chinese. All goods of the same category as those included in state import plans are to have local market sale prices applied. Where the goods are not part of planned imports, the principle of what is beneficial for the production and sale of national products is to be applied, sales prices being formulated on the basis of price for goods of the same quality produced in China. Imports that China does not yet produce may be priced for retail at the procurement price plus tax, and a reasonable handling fee plus profit.

2. Pricing Goods Supplied to Foreign Guests

With the development of international intercourse, the number of foreign guests and foreign tourists coming to China is increasing daily, and this is a major way of increasing China's foreign exchange earnings. Consequently, tourism must be managed well, the quality of service improved, and the supply of goods needed by foreign guests and tourists increased.

(1) Foreign guests and foreign tourists may purchase goods at foreign guest supply stores (or special stands), or they may buy goods at any shop in domestic markets.

Therefore, supplying goods to foreign guests (including resident foreign guests, foreign experts, and foreign students), and to foreign tourists is done at prevailing retail prices in local markets within the country,

and in the same way as for goods provided Chinese consumers, prices differing on the basis of quality, higher quality commanding higher prices, and on a seasonal basis. Where foreign guest supply shops (or special stands) do not deal in the local market and have no local retail prices for the goods they sell, the price applying to goods brought in from elsewhere will serve as a basis, and the price set on the basis of the retail price for local products of the same kind. Where the goods differ markedly in quality and packaging from goods sold for domestic use, the principle of pricing according to quality is to be applied and a proper mark up made.

In pricing arts and crafts for foreign guests and foreign tourists and travelers, price distinctions should be made for varieties. The ex-factory price should be based on a reasonable cost plus taxes, and a proper profit added to determine price. Most handicrafts should bear a retail price based on the retail price in local markets. Where quality and packaging differ markedly from goods sold for domestic use, the principle of premium price for premium quality is to be followed and the price raised appropriately. For high quality arts and crafts that the domestic market basically does not deal in, the retail price should be the ex-factory price in some cases plus varying degrees of markup (to include commercial hauling fees, interest, damage, administration and management expenses, taxes, and profit). In other cases the retail price should be the export price plus a certain amount of mark up. For certain rare and valuable, or specially manufactured, arts and crafts and artifacts, the price should be increased for each item on a case by case basis. Every effort should be made to increase national earnings to the extent that buyers are willing to accept. For old artifacts (including replicas of ancient pottery and ceramics, old jade pieces, old copper vessels, old smoking pipes, old rugs, old seals, and old ink slabs), the principle for pricing that the state has set is as follows: use of the export price as a basis, plus 10 to 50 percent depending on the item (in principle additionally whatever was added when prices were adjusted in April 1973). This has been put forward as a price readjustment plan to be put into effect after being approved by local departments in charge of prices.

(2) Price of goods and means of livelihood needed by foreign ships and naval personnel.

Since ships personnel are workers, and since ships visiting Chinese ports transport imports and exports, in accordance with proletarian internationalist principles, consideration should be given to their livelihood and sailing needs. They travel all over the world and are rather conversant with prices everywhere. Additionally, RENMINBI that ships personnel carry have been converted at Chinese bank list prices. Therefore, the prices of goods supplied by foreign ship supply companies may be set at international market prices. In setting such prices, generally China's export prices should be used for the most part, with reference to Hong Kong market retail prices as well so that China's export prices will be higher than our export price but lower than the Hong Kong market retail price. Sundry goods not regularly supplied that cannot readily be sold at either an export price or

at the Hong Kong market retail price may be considered in terms of or priced in terms of local domestic retail prices, equal price for equal quality, the price set according to quality. Prices for arts and crafts are to be set uniformly according to methods employed for goods (at special stands) supplied foreign guests.

9432

CSO: 4006/309

'JINGJI GUANLI' ON LABOR ORGANIZATION PROBLEMS

XE151011 Beijing JINGJI GUANLI in Chinese No 2, 5 Feb 83 pp 25-27

[Article by He Guangyuan [0149 0342 6672]: "Restructuring of Labor Organization Is a Very Urgent Task"]

[Text] Restructuring of labor organization is an important part of the present reform of enterprises; it is a fundamental and difficult task. If we fail to restructure labor organization well, it will be difficult for us to improve the management of enterprises and labor productivity, and the improvement of economic efficiency will become only an empty phrase.

I

It is a very urgent task to restructure labor organization. This is because first, in order to realize political stability and unity following the downfall of the 'Gang of Four,' we have in general concentrated our effort in solving labor employment and in a matter of three years have arranged the employment of 26 million people, which is a very great achievement. But we must also understand that some of these people have been given employment through the method of so-called 'five persons doing the work of three.' With this method, the normal production order of enterprises has been affected, the already weak labor management has become more chaotic and as a result, the labor productivity of many enterprises and particularly big enterprises has constantly dropped. It is a serious problem that can in no way be ignored. Second, over the past few years, people have often said that it is necessary to improve labor productivity by using advanced technology, and this opinion is no doubt right. But in this way we often neglect the importance of improving labor productivity through strengthening labor management and improving labor organization. We fail to see that enterprises have very great potential in this aspect. Third, because of such reasons as economic management system and its related policies, the forms of labor organization in many enterprises have remained unchanged for decades. Following the reforms of economic management and the expansion of the autonomy of enterprises, the administration of enterprises has to be changed from taking care of production only to production and management, and therefore the method of labor management and the form of labor organizations have to be changed before they are able to accord with the needs in the changes of objective conditions. Finally, the broad masses of workers and staff have reacted strongly against the situation in which the

number of staff employed is not certain and labor conditions are not checked and consequently they have a strong desire to resolve these problems during the reforms of enterprises.

Take the situation of machine building enterprises for example. The problems of the present labor organization in these enterprises are mainly shown in the following four aspects:

1. Overstaffing and factories running "society."

Organizational structure of enterprises is characterized by excessive staff because of two reasons. The first reason is that higher departments have interfered with enterprise organizations. The various departments concerned have demanded enterprises to set up counterparts and to employ the corresponding management staff, and as a result, enterprises have become overstaffed. Investigations show that in the 4 years from 1978 to 1981, a heavy machine building factory increased its departments from 19 to 28 and divisions from 65 to 132, with the number of cadres increasing by 23 percent. Second, enterprises are running "society." For example, in northeast China, many enterprises have been termed as "having five responsibilities." This is to say, they are responsible for the teaching of the sons and daughters of their staff and workers (nursery, primary school, secondary school, technical school and university), for the housing of their staff, for employment of the staff's sons and daughters, for medical schemes of the families of their staff and for staff collective welfare. In addition, there are a number of social apportionments. For example, the security department in a city has organized 1 percent of the staff from enterprises into patrol teams to be responsible for public security. In some places, workers are required to help traffic police directing traffic. According to some enterprises, the number of workers doing such work makes up almost 10 percent of the total staff and workers.

2. Having more hands than needed in one sphere but not enough in another.

Over the past few years, a number of machine building factories have not had enough tasks. But the number of staff and workers in these factories has increased drastically. For example, over the past few years, the production tasks of Shenyang Heavy Machine Building Factory was 50 percent lower than record levels, but as the factory has employed young people waiting for jobs, total staff and workers of this factory has increased 50 percent. Recently, investigations were made into the working days of some of the staff and workers in machine building factories in Shanghai and Wuxi and the results showed that the work hour utility rate of plan dispatchers and controllers was 45 percent, machinery maintenance workers 21 percent, tool keepers 9 percent and warehouse keepers 8.3 percent, a quite staggering waste of labor force.

Although the total number of staff and workers has increased, the proportion of basic production workers had decreased while types of work done in high temperatures and those that are dirty and tiring like casting, forging and turning do not have enough hands. Therefore there has appeared a situation of the so-called "tight situation on the first front, relaxed situation on the second front and overstaffing on the third front." Investigations made in 15

1. Heavy mining industry enterprises showed that the number of basic production workers only made up 1/4 of the total staff and workers and nonproduction workers made up only about 13; thus the proportion of the structure of workers and staff is seriously out of balance.

2. Dispositions of the workers and staff under the system of collective ownership are mixed with those of the workers and staff under the system of ownership by the whole people.

This situation is very common in some machine building enterprises and involves many people. Initial statistics show that six machine building factories in Shenyang have 16,561 collective ownership staff, 43.8 percent of the total workers and staff of the ownership by the whole people, of which 5,377 are employed by the enterprises with public ownership, representing 37.3 percent of the total staff and workers of the enterprises with collective ownership; in some factories, the figure is as high as 87 percent. In this way, the situation in which factories have not enough production tasks and too many staff has become more serious.

3. The technical level of the ranks of staff and workers has dropped.

Since the 1970's, the ranks of the staff and workers of machine building industry have grown even more rapidly and their technical structure has changed considerably. The average technical grades of the staff and workers of machine building industry has dropped from grade 3.5 in 1966 to grade 3 at present. According to many factories, if no measures are taken to improve the technical level of the existing staff and workers, it will be difficult for them to turn out even old products and maintain their quality, let alone produce new products.

As a result of the serious problems that have cropped up in labor organization, the average growth of labor productivity in machine building industry has slowed down and even dropped. This situation has seriously affected the improvement of economic efficiency. Labor productivity of the whole staff and workers of machine building enterprises in 1979 was 11,021 yuan, 99.5 percent higher than 1957, with an annual average growth of 4.3 percent. But since 1979 and following national economic readjustment, the labor productivity of the machine building industry has dropped drastically. Total output value of the enterprises formerly under the First Ministry of Machine Building in 1981 was 17.3 percent lower than 1980. Labor productivity of the whole staff dropped by 20.1 percent. The drop of labor productivity in some big enterprises is even more staggering. For example, the whole labor productivity of Shenyang Heavy Machine Building Factory is 68 percent lower than the highest level recorded by this factory. The productivity of the No 1 Vehicle Factory has dropped by 72 percent.

As labor productivity grew slowly or even dropped (the readjustment of the structure of the machine building industrial products has also constituted a reason), profit has dropped while the wages included in production cost have increased. Statistics show that the average annual profit made by the workers in machine building industry in 1979 was 27 percent lower than 1966 while the

figure for 1981 was 48 percent lower than 1979. In 1979, staff wages made up 9.48 percent of production cost and it increased to 10.14 in 1979 and 11 percent in 1981.

Therefore it is an urgent task for many enterprises to restructure labor organization.

While enterprises are being restructured in an overall way, it is necessary to give priority to restructuring labor organization. Because only in this way will we be able to improve labor productivity and economic efficiency and expand reproduction mainly in an intensive way.

II

Restructuring of labor organization has very strong political characteristics and it involves many aspects such as state labor management, the principle of distribution according to labor, economic management and enterprise management and it has the nature of a reform. Therefore it requires unified planning and long-range consideration and it must be carried out step by step. At the present stage, it is necessary to solve the following questions.

First, take active measures to train staff and workers. One of the purposes of restructuring labor organization is to fully and rationally make use of labor resources. The machine building industry has failed to meet the needs in the development of the national economy and in the final analysis, the reason for this situation is that staff training failed to meet the needs in the development of the national economy. Therefore as long as we are able to do a good job in staff training, exploiting talents and realizing intensive expansion of reproduction of labor force, we will be able to guarantee the intensive expansion of the reproduction of the means of production. In the past, we did not really understand this question. During the current restructuring of enterprises, we will be able to improve the quality and add more varieties of machinery with higher technology and realize the goal of machine building industry serving the technical reforms of the national economy once we are able to do a good job of staff training which is constructive and has a far-reaching significance.

Second, open up more ways for production and solve the problem of surplus staff. In solving this problem it is necessary to follow the following two principles. First, the surplus staff left over after work has been done to fix the number of staff must be withdrawn from the first front, and "numbers must be reduced, not added to." Second, with the exception of some of the surplus staff that will be given training, the rest must be given work through opening up production paths. They can in no way all be used in social services. In any enterprise, there exist inherent relations between basic production, auxiliary production, production service and life service, and therefore we can in no way organize the surplus staff into life service companies because with this practice we will only create new waste of the labor force. A number of machine building factories have used diverse methods to arrange employment. For example, the staff that have been transferred out from the

first front have been organized to engage in such work as repairing, utilizing old and discarded things, loading and unloading and transportation and capital construction projects; organizing the production of durable consumer goods that are urgently demanded in market, adding the staff for studying new products and arranging the old or not entirely healthy technicians to work in labor service companies to be responsible for organizing and giving technical guidance (of course, some of them will be unifiedly transferred and arranged by management departments and local labor departments). There are many advantages in doing this such as that surplus staff have been given work to create new wealth, expand service and strengthen the adaptability of the enterprises themselves.

Third, solve the problem of mixed jobs between the workers of the collective ownership and those with the ownership by the whole people. In solving this problem it is necessary to solve well the following two links. One is to improve understanding. We must understand the necessity at the present stage of the coexistence of various economic forms in China and the necessity of opening up more ways for employment. Another question is to draw economic distinctions. In the future and when required in production, the enterprises with public ownership may employ the staff and workers of the enterprises with collective ownership only with approval from management departments, with labor contracts signed by both sides and with labor payment. In order to help promote the development of collective enterprises, the enterprises with public ownership may send their staff to give technical guidance but the collective enterprises must pay for the wages of such staff. The collective enterprises can in no way use the workshops, goods and materials and equipment of the enterprises with the ownership by the whole people without payment. When the collective enterprises have difficulties in developing production, the enterprises with the ownership by the whole people may give help in the form of funds and goods and materials, which the former have to refund when they have made achievements in their business.

Fourth, set up a regular labor renewal and supplement system, following the restructuring of enterprise labor organization and the development of production. It is necessary in future to spare no effort to regularly renew and supplement the labor force, otherwise the results of restructuring cannot be consolidated. Practice shows that the system of the sons and daughters taking the positions of their retired parents is no longer suitable. The various staff and workers needed by enterprises must be included in labor planning and at the same time it is necessary to entrust enterprises with certain autonomy. The ranks of staff and workers must be mainly supplemented by university graduates, technical school graduates and junior and senior middle school students with vocational training. Enterprises may employ specialized staff through recruitment or training under agreement but with approval from management departments. Enterprises may pay or give material assistance to the units that are responsible for training. Enterprises have the right to test and select and employ the persons that are assigned by labor departments. No departments are allowed to force enterprises to employ the persons that are not needed by them, nor are they permitted to transfer staff from enterprises to do social work that has no direct relation with production and the business of enterprises.

Fifth, further implement the principle of distribution according to labor. Quite a number of workers are not willing to work in the first front or to learn technology; they prefer to do lighter jobs such as door keepers, warehouse keepers or economic inspectors. Consequently there have appeared the so-called "three changes of work" of changing from the first front to the second front, from production to logistics and from technicians to auxiliary workers. To solve this problem, it is necessary first of all to step up political and ideological work and at the same time it is necessary to reform the irrational wage system and change the situation in which different types of work have the same wages and bonus or in which wages and bonus differ too much.

The situation in which staff and workers' wage grades do not correspond with their technical level must be gradually resolved. During the present period, it is necessary to follow the principle of distribution according to labor and first of all restore positional allowances and subsidies for different types of work. Egalitarianism must be abolished in bonus systems, with bigger disparity according to actual work. Staff and workers must be encouraged to learn culture and technology and do arduous work from the point of view of wages and policy.

Sixth, enterprises must be allowed to set up their own organizations according to reality. Now enterprises are strongly dissatisfied with the practice by which some departments order the departments under their leadership to set up organizations with a definite number of staff. In future, no departments are allowed to interfere with enterprises in their move to set up their own organizations, nor is it allowed to interfere with the enterprises' decisions on employing staff and workers for their organizations. Enterprises must be allowed to set up organizations and define the number of the staff and workers for the organizations according to their production program, orientation of their products, the characteristics of their production processes and technology and the needs in the development of their technology but all these must be presented to higher labor departments as records. It is not necessary to stress the importance of both lower departments and higher departments of the same profession keeping in line with each other, nor is it necessary to follow the same mode.

CSO: 4006/425

END

END OF

FICHE

DATE FILMED

MAY 3, 1983